

# DAILY REPORT

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REPORTAGE ON RAJIV GANDHI'S VISIT

## Gandhi Arrives in Tokyo

OW280515 Tokyo KYODO in English 0511 GMT 28 Nov 85

[Text] Tokyo, Nov 28 KYODO -- Indian Prime Minister Rajiv Gandhi arrived here Thursday for a four-day official visit to Japan. In an arrival statement, Gandhi described his visit as "a mission of understanding," and said, "I hope it will deepen the goodwill and cooperation between the two countries." "We trust that Japan will play a positive role in creating an international climate which will help the weak countries to build their productive capacities," he said in the prepared statement.

Gandhi, accompanied by his wife Sonia, Foreign Minister Bali Ram Bhagat and other officials, flew into Tokyo from Vietnam where he paid a one-day visit. Gandhi is holding talks with Prime Minister Yasuhiro Nakasone Thursday evening after attending a welcoming ceremony at the state guest house.

## Discussions on Trade, Credit

OW281135 Tokyo KYODO in English 1033 GMT 28 Nov 85

[Text] Tokyo, Nov 28 KYODO -- Indian Premier Rajiv Gandhi gave a strong hint here Thursday his country is prepared to discuss services trade in a preparatory committee designed to promote a new round of global trade liberalization talks. Gandhi explained the gradual shift from India's opposition to the inclusion of service businesses in a new multilateral trade round under the General Agreement on Tariffs and Trade (GATT) in a two-hour meeting with Prime Minister Yasuhiro Nakasone. Gandhi said that India is ready to discuss the service sector in a preparatory committee and has no plans to delay progress in the preparatory process, a Japanese spokesman said. The spokesman said, however, the Indian leader reiterated his reservations about GATT's initiatives in the controversial sector.

Gandhi's comment on a new GATT round came at a time when the Geneva-based GATT was holding an annual general meeting in an attempt to reach a basic agreement on setting up a preparatory committee. India's support for the establishment of a preparatory committee is a big boost to Japan, the United States, and other proponents of the new GATT round and a damaging blow to Brazil and several other developing countries strongly opposed to the new GATT talks.

Nakasone told Gandhi Japan plans to extend a special yen credit of up to 30 billion yen for a gas turbine power plant and power transmission project in Assam. The special loan is in addition to 39.2 billion yen in yen credits during the current fiscal year, a Foreign Ministry official said. The official said Japan plans to boost its annual official development aid to India to the 70 billion yen level comparable to Japan's current ODA to such countries as Indonesia, Thailand, and China.

Gandhi met with Nakasone shortly after his arrival here for a four-day official visit, the first by an Indian premier in 16 years. The two leaders agreed that Japan and India will sign a science and technology cooperation pact Friday morning in order to further strengthen bilateral economic relations. The pact will be signed by Foreign Ministers Shintaro Abe and Bali Ram Bhagat.

Nakasone told Gandhi the Japanese Government will shortly send a mission to India to help determine the size of grants in the form of equipment and other materials for a medical research center named after the premier's brother, Sanjay Gandhi, who died in an airplane crash.

Nakasone and Gandhi also agreed on hosting an Indian festival in Japan and a Japan week in India in the future as well as a Japan-Indian seminar in Delhi next March, the spokesman said.



Both leaders hailed last week's U.S.-Soviet summit between President Ronald Reagan and General Secretary Mikhail Gorbachev in Geneva with Gandhi calling it "a step toward disarmament."

In response to Nakasone's call on nonsignatory countries to join the nuclear nonproliferation treaty (NPT), the Indian premier argued that NPT is a discriminatory agreement. Gandhi emphasized that his country utilizes nuclear power only for peaceful purposes and has no plans to produce nuclear weapons despite its capability to do so, the Japanese Government spokesman told reporters.

When asked by Nakasone about his one-day trip to Hanoi prior to his visit here, the Indian Premier said he detected Vietnam's vague readiness to accept a Kampuchean peace plan. The spokesman quoted Gandhi as saying that Vietnam considers proposals by Indonesia and Malaysia as a possible starting point for peace in Kampuchea where Vietnamese troops are stationed.

The Indian premier warned of a race war in South Africa unless apartheid were lifted. Nakasone explained his government's recent steps to ban the export of computers to South African police and security forces and curtail import of gold coins, his spokesman said.

Gandhi said he foresees no immediate end to regional conflict in Afghanistan and in the Middle East, according to Japanese officials.

#### Nakasone Hosts Banquet

OW281113 Tokyo KYODO in English 1101 GMT 28 Nov 85

[Text] Tokyo, Nov 28 KYODO -- Indian Prime Minister Rajiv Gandhi, warning of a possible nuclear war, called on the United States and the Soviet Union Thursday to follow up their Geneva summit to bring about disarmament. "The world today is beset with the danger of a nuclear conflict," he said in a speech at a banquet hosted by his Japanese counterpart Yasuhiro Nakasone. "The annihilation of humankind is now more than just a possibility."

Gandhi followed his warning against nuclear conflict with a call for the two superpowers to take additional "firm and enduring steps in nuclear disarmament." "The Reagan-Gorbachev summit in Geneva," the Indian leader said, "has been an essay in hope." President Ronald Reagan and General Secretary Mikhail Gorbachev held lengthy discussions in Geneva last week without reaching a major agreement.

A member of the so-called nuclear club, India intends to use nuclear power only for peaceful purposes, Gandhi indicated. "Japan's revulsion against nuclear war is well known," the visiting Indian Premier said. "Humanity expects Japan to be in the forefront of building a world without war."

"Japan's phenomenal postwar growth is in many ways due to your having channeled your boundless creative energies to your peaceful pursuits," said Gandhi who arrived here earlier in the day for a four-day visit. "India too seeks peace for its development," Gandhi added.

The Indian Premier outlined his country's priorities in his speech before the banquet at Nakasone's official residence when he said: "The stress has been on growth as well as social justice." "We regard development as a continuation of our quest of independence," Gandhi declared.

Nakasone noted in his speech that the world is "still in a state that might not seem to warrant too much optimism." The Japanese prime minister called for the creation of what he called "a new global ethic" to achieve an eternal harmony between man and nature which was the main theme of his October 23 speech at the United Nations.

#### World Issues Discussed

BK281651 Delhi Domestic Service in English 1530 GMT 28 Nov 85

[Text] The Prime Minister, Mr Rajiv Gandhi, now in Tokyo on a 4-day visit to Japan, has had talks with Mr Nakasone for over 2 hours. They were assisted during the talks by the foreign ministers. All India Radio's special correspondent Radhanath Chaturvedi, covering the prime minister's visit reports:

[Begin Chaturvedi recording] The two leaders have exchanged views on wide-ranging subjects. These included the Geneva summit, Afghanistan, Kampuchea, West Asia, new economic order, and Iran-Iraq war. Mr Rajiv Gandhi and Mr Nakasone both felt that the Geneva meeting was a welcome development and the process of dialogue should continue. On Afghanistan, the view expressed by both sides was that the principles should be found to arrive at a solution. Mr Rajiv Gandhi apprised Mr Nakasone of the latest situation in Kampuchea in the light of discussions he had with the Vietnamese leadership in Hanoi yesterday.

In the course of discussions, the world economic situation, the question of new economic order also figured. Both leaders agreed that Iran-Iraq war must end as early as possible. [end recording]

Summing up the discussions, Mr Gandhi said that the talks were friendly and interesting. He said a good start has been made to build up relations. Recalling the age-old cultural and ancient contacts between the two countries, the prime minister said Japan has reached a high level of development while maintaining its culture and tradition. We will also like to do the same.

Mr Nakasone confirmed the 39 billion yen credit to India and announced a further credit of 30 billion yen for setting up a gas turbine plant in Assam. Japan will also help build a hospital in Lucknow named after Sanjay Gandhi. A Japanese team is to visit India soon to work out the requirements. An agreement on science and technology, which has already been worked out, envisages a formation of a joint committee. It will be signed tomorrow. A festival of India will be held in Japan and a Japan week is to be organized in India. Mr Nakasone also praised India's leadership of the Nonaligned Movement.

Later, speaking at a banquet given in his honor by Mr Nakasone, the prime minister said India greatly values Japan's assistance and looks forward to learning from her experience. Mr Gandhi described the science and technology agreement as a significant step in promoting fruitful exchanges between the two countries. He added that the interaction should not be limited to industry and technology, but should extend to bringing together philosophers, writers, painters, musicians, and film makers. Our cultures and people should intermingle. Mr Gandhi emphasized that both India and Japan desired peace and nuclear disarmament. Humanity expects Japan to be in the forefront of building a world without war, Mr Gandhi concluded.

In his speech, Mr Nakasone pledged every possible effort to fulfill Japan's responsibilities in working with India. He described cooperation with India as of immeasurable importance. The two countries shared heavy responsibilities to the international community -- India as the leader of the Third World and Japan as an economic and technological superpower. He termed India's commitments to the Third World and the country's domestic developments as outstanding.

The 18th joint session of the Indo-Japanese business council began in Tokyo today. The leader of the Japanese delegation, Mr (Goro Koyama), said that Mr Rajiv Gandhi's visit heralds a close and brighter relationship between the two countries. He said Mr Gandhi's visit is most significant, symbolizing fruitful results of officials and private exchanges between them.

The leader of the Indian delegation, Mr (B. N. Patodia), said India and Japan are today adopting pragmatic policies supporting international cooperation, removing trade barriers and liberalizing imports.

#### Addresses Joint Diet Session

OW290751 Tokyo KYODO in English 1636 GMT 29 Nov 85

[Text] Tokyo, Nov 29 KYODO -- Indian Prime Minister Rajiv Gandhi, addressing a joint session of the Japanese Parliament Friday, called for the creation of a "just and equitable" global economic order to promote world peace and prosperity. He told Japanese lawmakers that India welcomes the outcome of the recent U.S.-Soviet summit in Geneva and the efforts of the two superpowers to "explore positive and concrete steps to reduce nuclear armaments."

The first Indian leader to speak in the Diet, Japan's Parliament, Gandhi said that India, a member of the nuclear club, and Japan, the world's first victim of nuclear warfare, share "the deep conviction that the world must be saved from nuclear holocaust." "We must not forget the tragedy of Hiroshima and Nagasaki," the 41-year-old Indian leader stressed. "That deep wound in human spirit can heal only with the elimination of nuclear weapons."

Prime Minister Yasuhiro Nakasone, in a two-hour meeting with Gandhi Thursday, urged India to sign the nuclear nonproliferation treaty to reduce the danger of nuclear war. Gandhi said that his country uses nuclear power only for peaceful purposes.

Referring to a forthcoming meeting of leaders of India and six other South Asian countries in Dacca, Gandhi told the Japanese Parliament that these countries have mapped out regional cooperation plans in the fields of agriculture, communications, meteorology, transport, arts, sports and culture and others. "This is a major step forward in the direction of a new pattern of relationship in South Asia based on equality, trust and mutual benefit," he said. "An outstanding issue of our times is how to create a just and equitable international economic order," Gandhi said. But he was quick to add that developing countries have been experiencing "a sense of a loss of direction" because of recession and unemployment.

As for new global trade negotiations under the General Agreement on Tariffs and Trade (GATT), a key topic of his talks with Nakasone, Gandhi suggested the completion of the accords under the current Tokyo round and urged Japan and other industrial states to take into account the hardships of developing countries. "The crisis in world trade must be resolved to enable the fruits of growth to reach all countries," the Indian leader said.

India, Gandhi told the Japanese lawmakers, is "at a turning point in our development process. Our strategies, policies and programs are accelerating the momentum of growth ...we are in an exciting phase of our journey. We travel with confidence and optimism."

As for India-Japanese relations which gained further momentum earlier in the day with the signing of a science and technology pact, Gandhi, now on a four-day official visit, said: "Our rediscovery of each other must not be limited to the marketplace. Let us rediscover ourselves in the minds and hearts of our people," he told the Japanese Parliament.



## Abe, Gandhi Talk 29 November

OW290331 Tokyo KYODO in English 0301 GMT 29 Nov 85

[Text] Tokyo, Nov 29 KYODO -- India expects a new GATT round to cover job protection in the Middle East and emigration in its service sector talks, officials said Friday. They said Indian Foreign Minister Bali Ram Bhagat expressed India's flexibility in holding preparatory talks on new global trade liberalization negotiations under the General Agreement on Tariffs and Trade (GATT) in a meeting with Foreign Minister Shintaro Abe.

Abe and Bhagat discussed the proposed new GATT round, potential cooperation in third world countries, whaling and other issues after signing a science and technology cooperation pact between Asia's two leading democracies.

During a Friday morning cabinet session, Abe reported GATT's decision in Geneva Thursday to formally proceed with preparations for a new trade round to fight protectionism.

Bhagat, traveling with Prime Minister Rajiv Gandhi on an official visit to Japan, said that the Indian Government is interested in the scope of services to be covered by the proposed round, a Japanese official said. The official said India wants GATT to cover protection of jobs for Indian nationals in Mideast countries and emigration of Indians in GATT's service trade talks. At the same time, however, India questions a possible inclusion of air service and telecommunications in service trade liberalization talks, the official added.

Bhagat proposed cooperation in the economic field with Japan in third countries to promote bilateral ties, according to a participant in the Abe-Bhagat meeting.

Japan is cooperating with the United States and Egypt in training Africans as part of economic development programs in their countries.

The official said Abe sought India's understanding of Japan's whaling. A Foreign Ministry source said Abe raised the subject because of India's tough stance against whaling at the international whaling commission.

The Japanese Foreign Minister also called on India to support his proposal for the creation of a group of eminent people to make the United Nations more efficient, the official said.

## India Not To Make Nuclear Arms

BK290404 Delhi Domestic Service in English 0240 GMT 20 Nov 85

[Text] The prime minister has made it clear that India would not like to develop a nuclear weapon even if Pakistan produces one. In an interview to the Japanese Television Broadcasting Corporation, Mr Gandhi maintained that Pakistan has a nuclear weapon program and is receiving assistance from outside. He said Pakistan has developed uranium-enriching capabilities and there is no way for them to use it except for the production of nuclear weapons. Mr Gandhi said India's nuclear program is entirely a peaceful one.

On the question about Afghanistan, Mr Gandhi said he is in touch with the Soviet leader, Mr Gorbachev, and the American President, Mr Reagan. There is a definite possibility that (?ways) will improve. He said there should be simultaneous talks for withdrawal and a guarantee of noninterference in the affairs of that country.

## Speaks on South Asia, PRC

OW300747 Tokyo KYODO in English 0727 GMT 30 Nov 85

[By Susan Moffat]

[Text] Tokyo, Nov 30 KYODO -- Indian Prime Minister Rajiv Gandhi said Saturday the Non-aligned Movement is "stronger than it has ever been" and stressed the need for Asian nations to work for regional as well as global peace and security. Gandhi said he hopes the first meeting of the South Asian Association for Regional Cooperation (SAARC), which will hold its first summit of leaders of seven South Asian nations in Dhaka in December, will develop relations in "all directions -- we must use the commonality of culture and tradition that binds our peoples together to reduce tensions." Gandhi emphasized the association's goals of political conciliation as well as economic cooperation.

One of the "thorny issues" facing SAARC will be Indo-Pakistani relations, which have been strained by Pakistan's nuclear plan. "India's nuclear capabilities will be used only for peaceful purposes," Gandhi said. The prime minister expressed guarded optimism about improving relations between the two countries, keystones as the two largest countries in the South Asian region. "Before our relations were moving backwards. But now, for every step backward, we make at least 2 or 3 steps forward," he said.

He also said some progress had been made in solving India's border disputes with China, though resolution "will take quite some time."

However, while stressing the need to work for peace, Gandhi said he did not approve of the form of several proposals aimed at reducing global tensions. He reasserted India's opposition to a proposed nuclear non-proliferation treaty "in its present form," which he said was inequitable in its treatment of countries possessing nuclear weapons and those without, adding that some countries with nuclear weapons are not keeping their promises.

He also did not express support for a Soviet proposal for an Asian security pact, saying "we haven't been given a specific program," but rather stressed that Japan and India, as Asia's leading democracies, "can play an important role in promoting regional peace and stability."

Gandhi made the remarks at the Japan National Press Club on the fourth day of his 5-day official visit to Japan, which included talks with Prime Minister Nakasone and private business leaders aimed at increasing technical cooperation between the two countries.

Japan-India economic and trade relations have been steadily increasing as Japanese companies become more interested in the country headed, under Gandhi, toward a course of modernization. The Japanese Government plans to extend a 39 billion yen loan to India next year. Gandhi said he admired Japan's "modernization without loss of traditions," saying he hoped India could do the same thing.

On the recent Geneva summit of Soviet leader Mikhail Gorbachev and U.S. President Ronald Reagan, Gandhi expressed satisfaction with "the speed and direction" of their talks, though he said "disarmament didn't get the place it should have...disarmament, we believe, is the prime problem for the world right now." Gandhi said his meetings with both Gorbachev and Reagan before the summit led him to believe that the Soviet Union is willing to pull its forces out of Afghanistan, and that the U.S. is willing to talk about political guarantees prerequisite to the pullout.

He also said that in talks earlier this week with Vietnamese leaders in Hanoi, the leaders assured him that Vietnamese forces would be out of Kapuchea by 1990, or



perhaps even earlier, with the possibility of using proposed solutions by other South East Asian countries as a basis for discussion.

Gandhi also reasserted India's support of the Palestine Liberation Army's demands for a homeland in an independent state, and said he supported recent initiatives by Jordan, though "it wont be as early as it looks."

#### Views Nonproliferation Treaty

BK300908 Delhi Domestic Service in English 0830 GMT 30 Nov 85

[Text] The prime minister has categorically stated that India will not sign the nuclear nonproliferation treaty. Addressing a press conference in Tokyo today before leaving for Osaka, Mr Gandhi reaffirmed that India has no intention to produce a nuclear bomb. He said though India has the capability, it has not developed a bomb and few countries in the world could have set an example like that.

Mr Gandhi revealed that the Pakistani president, General Ziaul Haq, who arrives in India on the 16th of next month, is being invited to witness the inauguration of the Dhruv nuclear reactor. This demonstrates that India's nuclear program is open and peaceful.

Mr Gandhi said the common ground he found with the Japanese prime minister, Mr Nakasone, argues well for Indo-Japanese cooperation in international and bilateral matteral matters. He hoped that the ancient cultural ties between the two countries would grow with new vigor and dynamism as a result of his visit.

On India's problems with China, the prime minister said there have been talks and meetings with Chinese leaders and officials and some progress has been made, but there are difficulties and it might take quite some time. He said we are hopeful that we will be able to solve the problems with both Pakistan and China.

Earlier addressing members of the committee on foreign affairs of the Japanese Diet, the prime minister said relations between India and Japan are on the threshold of a new phase. He described his talks with Mr Nakasone as very fruitful and constructive. He said both countries have agreed to take a series of steps to further intensify and expand their economic and technical cooperation.

The prime minister expressed grave concern at the increasing interference and intervention of big powers undermining the sovereignty of small nations.

Speaking about the escalating arms race, Mr Gandhi said durable peace cannot be founded on nuclear deterrents and it could come only through peaceful coexistence among nations. Mr Gandhi said India has taken fresh initiative to further normalize relations with its neighbors to bring about (?greater) stability in the subcontinent.

#### Views Domestic, External Issues

OW290225 Tokyo NHK Television Network in Japanese 1200 GMT 28 Nov 85

[Interview with Indian Prime Minister Rajiv Gandhi by NHK newscaster Taro Kimura on 28 November at the State Guesthouse in Tokyo -- recorded; interview conducted in English with Japanese subtitles; the following from the English version]

[Text] [Kimura] There was a report from New Delhi yesterday that the head priest of the Golden Temple was nearly assassinated. How stable is India right now?

[Gandhi] On, India is very stable. There is no question about that. We have had this terrorism -- Sikh terrorism -- for some time. We have tackled it on two fronts. One is the political, which has to be the basic way of tackling any such problem. We have found considerable success in this. We have a Sikh government in Punjab at the moment run by the Akali Party.

[Kimura] Speaking of Pakistan, how close do you think she is from obtaining her own home-made atomic bomb?

[Gandhi] Well, it is very difficult to say -- you know -- precisely how close it is because really only they can tell us. But our belief is that they do have a program. They have assistance from outside. They have enrichment capabilities and they have nowhere to use enriched uranium except....

[Kimura] In case they obtain one, will India obtain one as well?

[Gandhi] We would like not to. We have lived with [words indistinct] Chinese weapon for some years now, although I wouldn't like to equate the two because our relations with Pakistan have been much more turbulent. So, it's not exactly the same situation but we have managed to live with one. We would like not to have to develop a weapon. We are not developing a weapon.

[Kimura] Actually, recently American scientists have pointed out that you have obtained an extremely powerful nuclear reactor and your capability of producing nuclear weaponry is 10-fold since 1974. Was it 1974 when you first exploded....?

[Gandhi] Yes, in 1974 we exploded a peaceful nuclear device. I think what they are talking about is our reactor capability. And that has, of course, increased. And it's really our scientists who developed it but the use is entirely for peaceful purposes.

[Kimura] I think your talk with our prime minister centered on the summit talks between Mr Gorbachev and Mr Reagan. Do you think.... [changing thought] Well, there is a rumor that they might have agreed on the Afghanistan problem. Do you think that there is a chance that Russia may withdraw from Afghanistan?

[Gandhi] Oh, there is more than a chance. I have been in touch with both leaders and I feel that, yes, there is a definite possibility that things could move. What is required is that talks about guarantees of the [words indistinct] of Afghanistan are held simultaneously with talks on withdrawal. If this can be done, I believe both sides are willing to do it.

[Kimura] Have you been briefed or do you see any sign after the summit?

[Gandhi] It's definitely more positive after the summit. Yes. The difficulty may be -- because, you know, it's not just the superpowers that are involved. It's also Afghanistan, Pakistan -- Pakistan because of the refugees and because of the [word indistinct]. So, we have to consider both these aspects.

[Kimura] Do you feel you have some room to maneuver in that problem?

[Gandhi] A role to play?

[Kimura] Yes.

[Gandhi] We have refrained from playing a role. We have helped in trying to keep people together and tried to get negotiations going when we found that they are falling down, and I believe we've had a reasonable amount of success in this.

[Kimura] Lastly, our relations with India. We didn't know much about each other. Do you think there is any way of promoting understanding between the two countries?

[Gandhi] Very much so. We have also -- this evening -- had a very long talk with Mr Nakasone -- and -- not just on bilateral matters or international issues. And there is a tremendous similiarity of thinking -- not just the way we view particular problems but the basic thinking which goes to our viewpoints. And I think there is a lot of common ground there. I look forward to much increased cooperation.

[Kimura] Thank you very much.

#### More Economic Cooperation Sought

OW290601 Tokyo KYODO in English 0552 GMT 29 Nov 85

[Text] Tokyo, Nov 29 KYODO -- Visiting Indian Prime Minister Rajiv Gandhi Friday expressed hope for stepped-up Japanese economic cooperation in connection with his country's new five-year economic plan. Speaking at a meeting of the Japan-India Joint Economic Committee, he said the primary objective of India's new five-year modernization plan is to increase the international competitiveness of Indian products through improvement of labor productivity and quality of goods. In this connection, he said, India hopes to expand economic interchanges with Japan.

Gandhi also called for Japan's stepped-up efforts to open its domestic markets to imports from his country. Noting that increased exports are a prerequisite to the modernization of Indian industries, he said Japan and other Indian trade partners must remove import barriers.

#### Aid for Modernization Sought

OW291137 Tokyo KYODO in English 1033 GMT 29 Nov 85

[Text] Tokyo, Nov 29 KYODO -- Visiting Indian Prime Minister Rajiv Gandhi Friday asked Japan's cooperation for India's policy of establishing bases for modern industries, according to Japanese officials. Gandhi made the request when International Trade and Industry Minister Keijiro Murata paid a courtesy call on him at the State guesthouse in Tokyo.

Gandhi said India wants Japan to help in raising productivity, improving product quality and establishing standards and certification systems for realizing industrial modernization, the officials said. Murata told Gandhi that Japan appreciates India's policy of proceeding with market liberalization and will positively study the Indian request, the officials said.

Gandhi also said he is pleased that the General Agreement on Tariffs and Trade (GATT) unanimously agreed in Geneva to prepare a new round of global trade talks to counter protectionism, the officials said. Gandhi told Murata that India would not like to have a showdown in GATT talks connected with the new trade round but would participate fully for the benefit of India, the officials said.

#### Economic Exchange To Expand

OW291313 Tokyo KYODO in English 1149 GMT 29 Nov 85

[Text] Tokyo, Nov 29 KYODO -- Japanese and Indian business leaders Friday agreed on further expansion of their economic exchanges, including technological transfers from Japan to India in the electronics and auto parts fields.



The agreement was reached at a two-day meeting of the two countries' Joint Economic Committee held here, a committee spokesman said. The 18th annual meeting was attended by about 100 Japanese business leaders, headed by Goro Koyama, chairman of the Japan-India Economic Committee and advisor to Mitsui Bank, and a 50-member Indian delegation led by D.N. Patodia, president of the Associated Chambers of Commerce and Industry of India, the spokesman said.

A joint statement announced after the end of the meeting said other economic exchanges agreed to include a study on the possibility of joint ventures for coal gasification and exploration for crude oil, Japan's technical assistance to help India develop its agriculture, and organization of a symposium for promotion of Indian tourism.

#### Science, Technology Pact Signed

OW290147 Tokyo KYODO in English 0144 GMT 29 Nov 85

[Text] Tokyo, Nov 19 KYODO -- Japan and India signed an agreement here Friday on bilateral scientific and technological cooperation. The documents were signed by Foreign Minister Shintaro Abe and his Indian counterpart Bali Ram Bhagat, who is accompanying Prime Minister Rajiv Gandhi on an official visit to Japan. The agreement calls for exchanges of information and the carrying out of other cooperative plans on the basis of "equality and mutual interest."

#### Meets Indian Residents of Kobe

OW301239 Tokyo KYODO in English 1137 GMT 30 Nov 85

[Text] Kobe, Nov 30 KYODO -- Indian Prime Minister Rajiv Gandhi visited this international port city and met with a group of some 400 Indian residents Saturday. Gandhi, now on a four-day official visit to Japan which began Thursday, delivered a speech encouraging the Indians attending the meeting that they have taken an important role in promoting friendship between India and Japan. About 1,000 Indians or almost 40 percent of all Indian residents of Japan live in Kobe.

Police called in 700 uniformed and plaincloth men to protect the Indian leader. Gandhi is scheduled to spend overnight in Kyoto and to come back to Tokyo Sunday before leaving Japan.

#### Tours Kyoto Before Leaving

OW010727 Tokyo KYODO in English 0718 GMT 1 Dec 85

[Text] Kyoto, Dec 1 KYODO -- Indian Prime Minister Rajiv Gandhi and his wife Sonia toured Japan's former capital city Sunday, at the end of their four-day visit to Japan. The couple arrived here Saturday after finishing their official schedule in Tokyo.

Their itinerary in Kyoto included historical sites like the Heian Shrine, dedicated to Emperor Kammu, who established Kyoto in the ninth century. In the Katsura Detached Palace, residence of a 17th-century emperor, the Gandhis spent over an hour looking at the garden and the structure of the house. The couple then left for Osaka early Sunday afternoon for the trip home.

RED CROSS DELEGATION VISITS SEOUL FOR TALKS

## Departs Pyongyang by Train

SK010350 Pyongyang Domestic Service in Korean 0300 GMT 1 Dec 85

[Text] The members of the delegation of our side's Red Cross society to the 10th round of the North-South Red Cross talks left Pyongyang by train this morning. The delegation consists of 7 delegates led by Yi Chong-yul, vice chairman of the DPRK Red Cross Society Central Committee; 7 advisers; 20 accompanying personnel, and 50 accompanying reporters. An adviser to our side, Pak Chae-no, vice chairman of the Central Standing Committee of the General Association of Korean Residents in Japan, also is accompanying them. Son Song-pil, chairman of the Red Cross Society Central Committee, and other functionaries of related sectors saw off the delegation at Pyongyang Station.

## Enters South Via Panmunjom

SK020236 Pyongyang Domestic Service in Korean 0146 GMT 2 Dec 85

[Text] A delegation of the Red Cross Society of our side, scheduled to participate in the 10th round of the North-South Red Cross talks, entered the area of the South side this morning, passing through Panmunjom, on its way to Seoul. At 1000, members of the delegation led by Yi Chong-yul, vice chairman of the DPRK Red Cross Society Central Committee, entered the area of the South side at Panmunjom.

Pak Chae-no, vice chairman of the Central Standing Committee of the Chongnyon, also entered the area of the South side at Panmanjom, as an advisory member of our side, along with the delegation of our side.

Members of the South side's Red Cross delegation, including chief delegate Yi Yong-tok, advisory members, suite members, and reporters received the delegation of our side at Panmunjom.

Head of the Red Cross delegation of our side Yi Chong-yul held a press conference on the spot and issued a statement in connection with the delegation's crossing the Demarcation Line and entering the area of the South side. In his statement, he said: Our delegation has entered the area of the South side across the Military Demarcation Line [MDL], with a noble singleminded aspiration to alleviate the sufferings of the separated fellow countrymen and to achieve the long-standing aspiration for national reunification at an early date by accelerating it. He extended thanks to the members of the Red Cross of the South side and others concerned for having come to Panmunjom to receive the members of our delegation.

He said: We, who are on the way to Seoul crossing the MDL for the third time since the resumption of the suspended North-South Red Cross talks, are engulfed in fresh emotions. He noted: The Red Cross delegates of the two sides are now facing the heavy and honorable task of consolidating the road of entry and exit between the North and South opened by the Red Cross talks and the mutual visits of the art troupes and home-visiting groups as a road of free travel on which the separated families and relatives can come and go in peace in search of their blood relatives, and as a short-cut path to uniting the separated fatherland into one. He stressed: Cherishing in our hearts the noble mission of meeting the rising expectations of the separated fellow countrymen and the ardent hope of the entire people in the country by leading the North-South Red Cross talks, which have been resumed after 12 years of suspension, on the single road of success at all costs, we will invariably continue to travel this road today and tomorrow.



## Arrives in Seoul

SK020656 Pyongyang Domestic Service in Korean 0523 GMT 2 Dec 85

[Text] Our side's Red Cross delegation arrived in Seoul at 1230 today to participate in the 10th round of the North-South Red Cross talks. Seven members of the delegation led by Yi Chong-yul, vice chairman of the Central Committee of the DPRK Red Cross Society; 7 advisory members, 20 delegation members, and 50 reporters arrived there. Pak Chae-ko, vice chairman of the Central Standing Committee of Chongnyon, arrived there with the above members as an advisory member of our side.

During the delegation's travel from Panmunjom to Seoul, the compatriots in the South waved at the motorcade of our delegation in various residential areas and along the road, expressing feelings of welcome. Delegation leader Yi Chong-yul issued a statement on the arrival of our delegation in Seoul before reporters from the North and South and foreign reporters. Noting the arrival in Seoul of the delegation of the DPRK Red Cross Society to participate in the 10th round of the North-South Red Cross talks, on behalf of the delegation he expressed thanks to Seoul citizens and to the people from all walks of life in the South for greeting and welcoming our delegation with compatriotic feelings. He said that our delegation members rushed to Seoul, picturing before them tomorrow, when the broad road of the exchange of free visits will open at the barrier of the Military Demarcation Line that has divided the 3,000-ri land. He then emphatically said that the humanitarian work of the Red Cross, which has been carried out, proceeding from love for human beings and compatriots, is not only the work of meeting the ardent desire of the separated fellow countrymen, who, being separated from one another for 40 years, have been struggling due to unbearable anguish, but also is the worthy work of expediting the day of the fatherland's reunification.

Saying that our delegation members have arrived there, cherishing feelings of hope and expectation that great progress will be made at the 10th round of the talks, when both sides mutually understand and join efforts on the basis of the success and experience attained at the past talks, he expressed a firm belief that although tension has been further heightened with the passage of time and although misunderstanding and mistrust have deepened among the people, we will never become pessimistic. The noble work of alleviating the sufferings of the separated fellow countrymen and of laying a stepping stone for the fatherland's reunification will surely bear good results with the positive support and encouragement from all the fellow countrymen. He then said that our delegation members will display generosity and sincerity and exert every possible effort at the upcoming talks to heal the wounds of national division, which has further deepened with the passage of time, and to open the road of exchanging free visits at the earliest possible date.

STUDENTS IN SOUTH SEIZE KWANGJU USIS CENTER

SK020825 Pyongyang Domestic Service in Korean 0732 GMT 2 Dec 85

[Text] Students in Kwangju have occupied the American Cultural Center in Kwangju. They are demanding an interview with the responsible person of this cultural center. According to an AP report from Seoul, students in Kwangju, South Cholla Province, occupied the American Cultural Center in Kwangju today under circumstances in which the struggle to occupy the U. S. imperialists local aggressive agencies has been waged successively in South Korea. Patriotic students in Kwangju, including students from Chonnam National University, launched a surprise attack today against the American Cultural Center in Kwangju, a local ideological and cultural aggressive agency of the U. S. imperialists, and occupied an office of this cultural center.

Wearing headbands on which anti-U. S. and antigovernment slogans are written, the students are in high spirits after taping on a window of the office a poster demanding the withdrawal of the demand for opening import markets and repeatedly chanting slogans opposing and denouncing the U. S. imperialists' policy of colonial control. The students are strongly demanding an interview with the responsible person of the cultural center. Perplexed by this, the fascist Chon Tu-hwan military clique has sent a force of three company-size puppet combat police to the American Cultural Center and is frantically running amok to suppress the students. Having risen in the righteous anti-U. S. struggle, the students are tenaciously continuing their struggle, chanting various anti-U. S. and antigovernment slogans and without giving in to the tyrannical measures taken by the puppet police force.

As is known, the American Cultural Center in Kwangju was once engulfed in flames on 9 December 1980 due to an attack by students and residents who harbored surging resentment against the U. S. imperialists and the murderous fascist Chon Tu-hwan clique.

#### SOUTH URGED TO RESPOND ON PARLIAMENTARY TALKS

SK300806 Pyongyang Domestic Service in Korean 1149 GMT 29 Nov 85

[Unattributed commentary: "At What Do the Delaying Tactics Aim?"]

[Text] According to news reports, the speaker of the puppet South Korean National Assembly sent a letter yesterday stating the so-called stand of South Korea in response to a proposal put forward on 18 November by the chairman of our Supreme People's Assembly for holding the third preliminary contact for North-South parliamentary talks. In the reply letter, the speaker of the puppet National Assembly, reiterating what he had said earlier in a letter dated 30 October, insincerely said that he would be able to let us know the stand of South Korea with regard to the designation of a date for the preliminary contact only after the regular session of the National Assembly, currently in session, came to its end.

As a matter of course, a politician should act responsibly before the nation. However, the speaker of the puppet National Assembly of the South side has repeatedly sent reply letters whose contents are hard to understand. Such an act inevitably disappoints and displeases people. The South side's continued and deliberate delaying to designate the date for the third preliminary contact without any justified reason shows once again that the South side has in fact not a modicum of interest in the North-South parliamentary talks. The concern and expectations of our people and the world's people who hope for peace in and the peaceful reunification of Korea is focused on the North-South parliamentary talks.

As is well known, only when the North-South parliamentary talks are held at an early date can the tension prevailing in the country be eased, can the misunderstanding and distrust between the North and South be dissolved, can national harmony and trust be promoted, and can the prerequisite for peace and peaceful reunification be provided. Without solving such problems, neither side's parliament can say that it has fulfilled its noble mission before the nation. This being the case, the parliaments of the North and South should discuss these problems that pertain to the national survival before anything else. It is an unavoidable duty for the parliaments of the North and South to have mutual contacts and to make the talks a success.

However, despite our sincere efforts, the South side not only deliberately delays the designation of a date for the third preliminary contact, but also tries to avoid the contact itself under such pretexts as having no time because the National Assembly is in session or that the members of the National Assembly are engaged in parliamentary activities.

Saying that it has no time because the National Assembly is in session is a lie that does not sort well with reason. Although the South Korean National Assembly is in session, it does not meet every day.

If it intends to have a preliminary contact, it will find ample time to do so. As is evidenced by various facts, the South side, while saying that it has no time to conduct dialogue with us, its fellow countrymen and the other party to dialogue, continues to have meetings and contacts with parliamentary members of other countries and even has its members conduct beggar diplomacy by sending them abroad. The contradictory words and insincere attitude of the South side toward the third preliminary contact for the North-South parliamentary talks show that their advocacy for easing tension, dialogue, or reunification is nothing but a cunning wile designed to camouflage the South side's splittist nature.

Whether or not it has a genuine interest in the issue of the life and death of the nation can be measured by its stand and attitude toward the North-South parliamentary talks. From the beginning, the South side put forward such an unfeasible proposal as a unified constitution in substitution for our just and fair proposal for the discussion of a joint declaration of nonaggression at the North-South parliamentary talks and put a crimp in the advancement of the proposal by laying various obstacles to preliminary contacts. Let us ask -- why does the South side try so persistently to avoid the third preliminary contact for the North-South parliamentary talks by such excuses as the National Assembly is in session or the National Assembly members are engaged in discussing state affairs?

The South side, which pursues confrontation rather than the relaxation of tension and clings to splittist lines rather than peaceful reunification, is in no position to answer otherwise to this question. This is well demonstrated by all the acts being committed by the South side.

Today, the South Korean puppets are barbarously suppressing the South Korean youths' and students' patriotic advance for independence, democracy, and reunification, while internally refusing to discuss the issue of easing tension at all costs and clinging to anticommunist confrontation. In the meantime, externally, the South Korean puppets are clinging to maneuvers to fabricate the two Koreas by hopping around in the international arena such as at the United Nations with such issues as the simultaneous admission of the North and South to the United Nations and cross-recognition. In a bid to pursue to the end its confrontational lines of a splittist nature, the South side is now deliberately laying obstacles to our proposal for the preliminary contact for North-South parliamentary talks, while turning its back on the proposal time after time.

The assemblymen of the South side, if they are the politicians who are in the least aware of their own heavy mission borne before the nation and people, should come to the site of dialogue after deciding the date for the third preliminary contact at an early date, abandoning their unjust stand. The nation is watching them and will judge them on the basis of their practical actions.

#### SOUTH AIR FORCE STAGES 'FRANTIC WAR EXERCISES'

SK020618 Pyongyang KCNA in English 0514 GMT 2 Dec 85

[Text] Pyongyang December 2 (KCNA) -- The Chon Tu-hwan clique of traitors held an "Awarding Ceremony of Prevail-Over-Communism Operations for 1985" on November 29 at a unit of the puppet air force, according to a radio report from Seoul. This farce was held after staging frantic war exercises of the puppet air force units of South Korea in mid and late October under the signboard of "Prevail-Over-Communism Operation". They are now vociferously advertizing through the "awarding ceremony" the war exercises they held, hanging out the signboard of "Prevail-Over-Communism" on the threshold of the 10th round of North-South Red Cross talks. This shows that they do not want peace and peaceful reunification of Korea but seek only confrontation and division.



STUDENTS OCCUPY U.S. CULTURAL CENTER LIBRARY

SK021043 Seoul YONHAP in English 1000 GMT 2 Dec 85

[Text] Kwangju, Korea, Dec. 2 (OANA-YONHAP) -- The nine Korean students who seized the director's office of the American Cultural Center in this southern city Monday demanded a meeting with U.S. ambassador Richard Walker and a debate on the current situation facing the country with representatives of the ruling Democratic Justice Party (DKJP).

The radical students, staging a sit-in as of 6:00 p.m. local time (9:00 a.m. GMT) after they locked themselves inside, were identified by police as four from Chonnam National University in Kwangju and five from Chonbuk National University in Chonju, including three coeds. Of the intruders, six entered the building legally at about 11:10 a.m. after being checked by police on their residence cards and belongings and waited for the remaining three in the library, according to police. About 40 minutes later, the three stormed into the building overpowering two policemen checking the visitors of center and joined the six in occupying the director's office in the one-story building. Immediately after they took control of the office, the students hung out a Korean national flag on the windows of the building and shouted anti-American slogans. Such as "Stop pressure on Korea to open up its markets." Some professors of the two universities and their family members rushed to the scene and tried to persuade them into giving up the sit-in voluntarily, but the students rejected their appeal saying that they will go on a hunger strike until their demands are met.

Meanwhile, the director of the center, Louis Spaventa, 36, returned here from Seoul by helicopter with Wayne S. Rychak, an attache with the American Embassy, and is discussing with his staffers to cope with the incident. It was not immediately known if he would meet with the students following the discussion. Spaventa was in Seoul to attend a conference.

U.S. Official Goes to Kwangju

HK021014 Hong Kong AFP in English 0926 GMT 2 Dec 85

[Text] Seoul, Dec 2 (AFP) -- A U.S. official immediately left for Kwangju today to try to settle matters peacefully after press reports that radical students were occupying the U.S. Cultural Center Library in the southwestern city. "We plan to discuss with the students and settle whatever problems by peaceful means," a U.S. Embassy official told the press in Seoul, apparently indicating that the embassy had no intention of authorizing South Korean riot police to raid the premises to arrest the student intruders.

Nine Radical students reportedly stormed the center today and occupied the library in a protest against the government and against U.S. trade pressure on South Korea. Earlier reports had said eight students were involved. The cultural center's director, Louis Spaventa, who was in Seoul for consultations, left for Kwangju immediately in an effort to settle the incident "peacefully." Hundreds of riot police were mobilized in apparent readiness to raid the center minutes after the students forcibly occupied it. According to press reports, the radical students held no hostages although about eight Koreans are employed at the center. Mr Spaventa is the only U.S. member of staff at the center.

NORTH RED CROSS GROUP VISITS SEOUL 2 DECEMBER

SK020720 Seoul Domestic Service in Korean 0300 GMT 2 Dec 85

[Text] The delegation of the DPRK Red Cross Society arrived in Seoul today to participate in the 10th round of North-South Red Cross talks. KBS special correspondents Hwang Ho-yong and Cho Yong-hui will report on this:

[Hwang Ho-yong] The 84-member delegation of the DPRK Red Cross Society, led by its vice chairman, Yi Chong-yul, and consisting of 7 delegates, 7 advisory members, 20 suite members, and 50 reporters, passed through Panmunjom at 1000 today, and is expected to arrive at the Sheraton Walker Hill Hotel in Seoul at 1230. At Panmunjom, the DPRK Red Cross delegation was met by Yi Yong-tok, vice president of Korea National Red Cross [KNRC] and our senior delegate to North-South talks, and other KNRC officials concerned.

Upon arrival at the Walker Hill Hotel, the North Korean delegation will have lunch, and is expected to watch a film offered by our side in the afternoon. In the evening, the North Korean Red Cross delegation will attend a dinner arranged by Kim Sang-hyop, KNRC president, at the Walker Hill Hotel.

The Red Cross delegations of the North and the South will hold full-fledged talks on occasions -- on the mornings of 3 and 4 December, respectively, at the Sheraton Hotel, and will continue to discuss the questions of adopting a letter of agreement on the separated families, as the two sides put forth at the ninth round of North-South Red Cross talks held in Pyongyang last 27 and 28 August. At the ninth round of talks, held in Pyongyang, our side proposed that each side establish a Red Cross mission in Seoul and Pyongyang, and that three letters of agreement be adopted -- a letter of agreement on the implementation of the five projects in the agenda items of the Red Cross talks, a letter of agreement on the formation and operation of the Joint Red Cross Committee and the Panmunjom Joint Operations Office, and a letter of agreement on free mutual visits by separated families and relatives. At the ninth round of talks, our side proposed an immediate implementation of these talks. Nevertheless, the North Korean side again put forth the question of free mutual visits, which it presented at the eighth round of talks held last May in Seoul, and proposed adoption of this as a letter of agreement. The North Korean side also proposed resolving the questions on the method and procedure for the reunion of the separated families before September 1986. Thus, the North Korean side adopted an attitude of delaying the realization of progress in the talks and the implementation of tasks. As a result, no agreement was reached at the ninth round of the talks.

The 10th round of the talks, held this time in Seoul, is the first round of talks held after the home-visiting groups and art troupes of the North and the South were exchanged last 20 through 23 September, and will virtually end the North-South dialogue for this year. Thus, it can be said that the development of the talks will be noteworthy in connection with the prospects for North-South dialogue next year.

Reporter Cho Yong-hui will now report on the Panmunjom scenes this morning:

[Cho Yong-hui] At 1000 today, when the North Korean delegation entered the South by crossing the Military Demarcation Line through the conference room of the Neutral Nations Supervisory Commission, Yi Yong-tok, KNRC senior delegate, along with advisory member Cho Tok-song and spokesman Song Yong-tae, warmly welcomed Yi Chong-yul, head of the North Korean Red Cross delegation, in front of the Freedom House.

Shaking hands with senior delegate Yi of the North, senior delegate Yi of our side said "I am glad to meet you again" and "welcome." Then, he escorted the North Korean delegation to the Peace House of our side. In the reception room of the Peace House, senior delegate Yi shook hands with each of the North Korean Red Cross delegation members, going round the place where they were seated. To So Song-chol, deputy head of the North Korean delegation, he said: I heard someone was sick. I hope it was not you.



Thus, he showed curiosity over the reason that the North Korean side postponed the talks a week by citing the situation of the North Korean Red Cross delegation.

When he was seated, Yi, the head of the North Korean delegation, asked if his counterpart was busy in making preparations. Senior delegate Yi said: Yes, I was very busy, because the school semester was ending. Even today, to come here, I asked one of my colleagues to give lecture in my place. I think you have been busy, too, because you have become a minister. However, you are here. I think this shows the significance of the Red Cross talks. Senior delegate Yi Yong-tok went on to add: Our compatriots are awaiting happy news. Therefore, we must ensure that our talks bear good fruit this time. On this, Yi, the head of the North Korean delegation, expressed agreement.

Extending congratulations to Yi, the head of the North Korean delegation, on his promotion to the post of the minister of public health, from his former position as vice minister, senior delegate Yi Yong-tok said: I think that full conditions have been provided to realize happy news for all our compatriots this time, because you are now a minister.

When the reporters of the North side asked about the prospects for the talks, senior delegate Yi said: I will study together with my counterpart, and we will make efforts to end the discussion of the questions. Thus he expressed his expectations.

Meanwhile, the outfits of the members of the North Korean delegation were almost same as those of our side. However, the clothing of those who would return to the North today after seeing off the delegation and after gathering news reports was very thick, perhaps because the weather was even colder in the North. At around 0950 today, North Korean reporters went through the procedures to enter the South in the conference room of the Neutral National Supervisory Commission, prior to members of the North Korean Red Cross delegation going through the entry procedures.

#### NKDP ON DJP CIRCULATING KIM TAE-CHUNG ARTICLE

SK300203 Seoul CHUNGANG ILBO in Korean 28 Nov 85 p 2

[From the "Central Tower" column]

[Text] At dawn on 29 November, the DJP distributed copies of a pamphlet containing an article of Kim Tae-chung, published in the United States under the headline "A Warning Against the Trap of the Constitutional Revision for Direct Presidential Elections." In the article, Kim Tae-chung said: The South Korean opposition parties operating within the framework of the government and government-sponsored press have recently been raising voices about direct presidential elections, deceiving the people by saying as if they were the only way leading to the restoration of democracy in South Korea.

In the pamphlet, Kim Tae-chung is quoted as saying: Since the Chon regime is either overlooking or fostering such an idea, while superficially pretending to oppose it, I am warning against the dangers that such polemics could lead to. I am also warning that such polemics could get caught in a trap laid by the government. Kim continues: First of all, the theory on constitutional revision can be a trap because a direct presidential election system is not democracy in itself. Although many Latin American countries adopt a direct presidential election system, they are models of dictatorial states. The United States, even though it elects its presidents through an indirect presidential election system, remains the exemplary democratic society.

The second reason cited by Kim to support his theory that a constitutional revision can be a trap is that, to hope for the Chon regime and the National Assembly, an institution controlled by the Chon regime to write a democratic constitution is a chimera like hoping to catch a fish on top of a tree.

The third reason, Kim is quoted as saying, is that a direct presidential election system will legalize Mr Chon Tu-hwan's dictatorial regime. It can also possibly be dragged into a political plot designed to allow the Chon regime to entrench itself in the office of presidency even after 1988.

In response to this, the NKDP distributed pamphlets claiming to be an original text to refute the DJP theory. The gist of the so-called original text quotes Kim Tae-chung as saying that "the constitution should be the same as that adopted by the Third Republic." The NKDP pamphlet also explained that Kim Tae-chung had opposed the re-writing of the constitution because the opposition force was very weak under the system established by the 11th National Assembly term and that the constitutional revision poses a great danger of being used by the ruling party in its attempt to stay in power longer.

The pamphlet distributed by the DJP is a 1-page pamphlet carrying 10 sentences under the headline "Conscience in Action" and a photograph of Kim Tae-chung. However, the so-called original text of Kim Tae-chung's article distributed by the Tongkyo-dong faction is a 2-page pamphlet, twice the size of those distributed by the DJP, with no headlines, but a photograph of Kim Tae-chung.

#### OPPOSITION PARTIES PROTEST PASSAGE OF TAX BILLS

SK300259 Seoul YONHAP in English 0245 GMT 30 Nov 85

[Text] Seoul, Nov. 30 (OANA-YONHAP) -- The Korean National Assembly deadlocked again Friday night, when opposition lawmakers occupied the conference rooms of the budget settlement committee and the legislative-judiciary committee, protesting the ruling party's unilateral passage of the government-proposed amendments to tax laws in a Finance Committee session. Earlier Friday, in another Finance Committee session, lawmakers of the ruling Democratic Justice Party (DJP) passed the controversial amendments to the tax exemption and deduction law and four other budget-related tax bills in less than two minutes, before the arrival of the committee members of the opposition New Korea Democratic Party (NKDP) and Korean National Party (KNP).

The DJP's blitzkrieg, the first of its kind in the incumbent National Assembly, immediately stalled all National Assembly activities as NDP lawmakers boycotted all the committee sessions. Floor leaders of the three major parties had agreed Friday morning to resume all the committee activities, which had adjourned Thursday, due to a controversy over remarks made by a DJP lawmaker in a Steering Committee session. The committee had been discussing the formation of a special committee for constitutional revision.

The Steering Committee reconvened late in the afternoon, but adjourned shortly after floor leaders of the two opposition parties disputed the validity of the Finance Committee's action, demanding that a new deliberation session be held.

In a statement, DJP spokesman Sim Myong-po said "our patience and concession has reached the limit. It was inevitable for us to pass the urgent tax bills related to the budget bill." He said that the NDP obstructed deliberation on the budget bill "by seeking only partisan interest or the people's happiness." In a statement issued by the caucus that decided to stage the sit-in, the NDP denounced the ruling party of dishonoring the parliament by passing the tax bills "in the manner of a street snatcher."

SPEECHES, MEETINGS HONOR LPDR'S 10TH ANNIVERSARY

## VNA Interviews Souphanouvong

OW300841 Hanoi VNA in English 0713 GMT 30 Nov 85

[Text] Hanoi VNA Nov 30 -- On the occasion of the 10th anniversary of the National Day of the Lao People's Democratic Republic (LPDR) Souphanouvong, Political Bureau member of the Lao People's Revolutionary Party, president of the republic and president of the LPDR People's Supreme Assembly, has had an interview with VIETNAM NEWS AGENCY and the Vietnam Radio and Television Commission.

Following is the text of the interview:

Question 1: After its founding, the Lao People's Democratic Republic, an outpost of socialism in Southeast Asia, has moved forward with a high sense of self-reliance under the clear-sighted leadership of the LPRP. What are the most notable achievements of the LPDR over the past ten years of national construction and defence?

Answer: The LPDR came into being on Dec. 2, 1975. This is a great and glorious event marking a turning point in the Lao revolution and ushering in a new era for the Lao people of all nationalities, the era of independence, reunification, and advance to socialism.

After their complete liberation, the Lao people, while sparing no efforts to overcome the heavy sequels of thirty years of war provoked by the U.S. imperialists, have to cope with a new enemy -- the big-nation expansionists and hegemonists, in collusion with the U.S. imperialists and other reactionary forces -- who launched a multi-faceted war of sabotage against the Lao revolution.

It is a very difficult task for us to advance straight to socialism without going through the stage of capitalist development in view of the economic conditions of our country which is very poor and backward, and moreover badly ravaged by war. However, over the past ten years, under the correct and clear-sighted leadership of the LPRP, the Lao people have overcome many difficulties and trials, upheld their patriotism and attachment to socialism and their high sense of self-reliance to carry out simultaneously the two strategic tasks of national construction and defence, and have obtained major achievements in all fields.

The system of proletarian dictatorship has been built and consolidated from the centre to the grassroots, and has become an ever firmer mainstay of the entire people and a sharp weapon of the party. The people's political awareness has been heightened, and national defence and security has been ensured. Over the past ten years, hundreds of groups of Lao exiles, spies, commandos and reactionaries smuggled back by the U.S. imperialists and other reactionaries for sabotage have been captured or wiped out. Many bandit groups have been dismantled and their subversive acts crushed. All provocative armed activities, land-grabbing attacks at the border, especially the attacks made by the ultra-rightist in the Thai ruling circles against Sayaboury Province of Laos in June 1984 have met with fitting riposte. The national border and territory have been firmly defended and Laos remains a firm outpost of socialism in Southeast Asia.

Remarkable progress has been made in economic transformation restoration and development as well as in cultural development especially in agricultural production. Most localities which traditionally grew only one crop of low-yield rice are now practising double-cropping and intensive farming, with ever higher productivity. Annual rice output has stood around one million tons since 1980; in particular, we obtained 1.4 million tons in 1984, double the level in 1985. Laos has become basically self-sufficient in food, averaging 380 kilos of paddy per head of population. Agricultural collectivization has been widened and become a mass movement.



3,184 agricultural co-operatives and thousands of mutual aid teams have been formed. Over the past ten year, 45 state-run agricultural farms and 135 irrigation projects have been built or reinforced to a rice acreage three times the size before liberation. Important development has been made in industry and handicrafts. In comparison with 1976, industrial output value rose by twofold, electric output by 2.7 times, timber exploitation and processing by 2.5 times, and chemicals by 7.2 times. Laos now has 300 state-run factories and thousands of small industry and handicraft establishments. Through nationalization combined with transformation, most of the former capitalist enterprises have become state-run or joint state-private enterprises. Over the past ten years, we have restored, broadened, built and put into operation many important projects of industry including energy, engineering, mining, building materials and food processing.

Regarding transport as a key branch, we have restored and built more than 3,000 km of road, repaired and built 677 bridges, built many harbours, and airports. The communications and post service now has 92 district post offices, and long-distance telephone links with 45 countries. A satellite ground station, the most important project of the First-Five Year State Plan, has been completed and commissioned. The state-run trade network has extended from the centre to the grassroots with 66 trade corporations and some 1,700 state-run department stores and marketing cooperatives. In conformity with the state policy of taking culture and ideology one step ahead with education as the central task, we have made substantial progress in those domains. By the end of 1984, illiteracy had been eradicated throughout the country.

Hundreds of thousands of adults are sitting at complementary courses. In the 1984-85 school-year, enrollments were 600,000 at the general schools and 19,000 at the colleges and vocational secondary schools, or an increase by two times and 7.5 times respectively compared with 1974. We now have 7,000 general schools, 67 teachers' training schools, 120 vocational schools, 6 tertiary education schools. During the past ten years, more than 6,000 university students and 33,000 secondary school students have graduated. Eight hundred and seventy two hospitals and infirmaries have been built staffed by some 9,000 physicians, including 418 doctors and pharmacists. The number of medical workers with university qualification is now five times as many as in 1976.

In the diplomatic field, we have also recorded great achievements. The militant alliance, special solidarity and comprehensive cooperation between Laos and Vietnam, and among Laos, Vietnam and Kampuchea have developed both in scale and depth. Our solidarity and all-round cooperation with the Soviet Union and other fraternal socialist countries has further been strengthened. Consistently pursuing its foreign policy of peace, independence, friendship and socialism, over the past years the Lao People's Democratic Republic has together with Vietnam and Kampuchea, made positive contributions to promoting the trend of dialogue between the two groups of Indochinese and ASEAN countries, to the development of the Non-aligned Movement and the movement of progressive forces for peace, national independence, democracy and socialism. We have enjoyed ever greater sympathy and support from the fraternal countries and all progressive forces in the world.

"The great achievements the Lao people have made over the past ten years stem from the national unity, the offensive revolutionary spirit, the high sense of self-reliance of all ethnic groups in the country under the leadership of the LPRP. They demonstrate the correct and clear sighted leadership of the LPRP and strengthen the confidence of the people in the party. These achievements are inseparable from the valuable and effective support and assistance from Vietnam, the Soviet Union, Kampuchea and other fraternal countries. At the same time, they contribute to increasing the aggregate strength of the Lao people, the Lao-Vietnamese-Kampuchean militant alliance and of the socialist community as a whole, and actively contribute to the struggle for peace and stability in the region. These achievements reaffirm the superiority of the new regime and help heighten Laos's international prestige..."

We are before very heavy and urgent tasks. But on the strength of the aforesaid achievements, we can say that despite all difficulties and obstacles, the Lao people of all nationalities led by the party will surely overcome all trials and gain greater achievements in national construction and defence. The Lao People's Democratic Republic will always be equal to its role, of a firm outpost of socialism in Southeast Asia and worthy of the love from fraternal countries and friends in the world.

Question 1 [as received]: What do you have to say about the special friendship between Laos and Vietnam over the past ten years, especially our economic cooperation in recent years, including the cooperation between sister provinces and cities.

Answer: During the past wars of resistance, Vietnam always stood beside the Lao people in adversity as well as in success to win victory for the Lao people's national salvation fight.

Over the past ten years, hardly out of thirty years of devastating wars and in spite of innumerable difficulties in their economic and cultural development program and the war of sabotage launched by the big-nation expansionists and hegemonists, the Vietnamese people continued to extend their fraternal assistance to the Lao people in their national construction and defence, not sparing even their blood. The treaty of friendship and cooperation between Vietnam and Laos and the national border delineation treaty between the two countries were signed during an official friendship visit to Vietnam by a high-level party and state delegation led by party General Secretary Kaysone Phomvihane in February 1976, and the official visit to Laos by a high-level Vietnamese party and state delegation led by party General Secretary Le Duan and Chairman of the Council of Ministers Pham Van Dong in July 1977, which marked a new development in quality of the relations between the two countries.

The cooperation between Vietnam and Laos has developed comprehensively and effectively in furtherance of the treaty of friendship and cooperation. Every year, delegations at all levels, government, ministry, branch and mass organisations of the two countries have exchanged visits to broaden the cooperation between the localities of the two sides. The success of the recent Laos visit by a high-level Vietnamese party and state delegation led by President Truong Chinh marked new development of the pure, fine relationship between the two countries, helping to consolidate the irreversible situation of the revolution on the Indochinese peninsula. Besides sending experts and army volunteers to Laos, Vietnam has also helped Laos in economic construction and scientific and technical development. Each year Vietnam has sent hundreds of millions of dong (Vietnamese currency) worth of aid to Laos, half of which is non-repayable aid. Vietnam has also helped train thousands of cadres of different branches, accounting for half of the total of Lao cadres trained abroad. It has helped Laos survey, design and build many important projects of all branches, agriculture, industry, transport, geology, health care and education. Many joint projects have been put into operation and yielded practical results. The cooperation between the two countries' cities and provinces has also been strengthened.

The cooperation and assistance from Vietnam to Laos has played an important role in the Lao revolution. Realities have shown that every victory the Lao people have gained in the past years is closely associated with the heartfelt assistance of the fraternal Vietnamese party, government and people.

The Lao people will forever remember the great services and noble sacrifices the Vietnamese people have made for the Lao revolution. On the occasion of the tenth National Day of the LPDR, I would like to express the Lao people's homage and profound respect to the great President Ho Chi Minh who has brought the Marxist-Leninist theory to the three Indochinese countries and who has tirelessly cultivated the special Lao-Vietnamese relationship. I would like also to express our sincere gratitude to the Vietnamese Government, people and Army for their valuable support and assistance.



The Lao people are deeply aware that the special solidarity militant alliance and all-round cooperation between Laos, Vietnam and Kampuchea are an important factor deciding the victory of the revolution in each country. It has become the strategic line and sacred feelings of the Lao party, state and people. In furtherance of the Laos-Vietnam treaty of friendship and cooperation and the joint statement of the summit conference of the three Indochinese countries, the Lao people pledge to do their best to safeguard and foster the Lao-Vietnamese-Kampuchean solidarity and will not allow any reactionary forces to violate this sacred patrimony. The time-honored Lao-Vietnamese friendship like a centuries-old tree daily cultivated by the two people will be green forever. Through the VIETNAM NEWS AGENCY, and the Vietnam radio and television I would like to extend my warmest greetings and deepest gratitude to the Vietnamese families whose sons or daughters have laid down their lives for the Lao revolution or are accomplishing their international duty in Laos. I also take this opportunity to wish the fraternal Vietnamese people still great successes in their cause of socialist construction and national defence. May the special solidarity and comprehensive cooperation between Laos and Vietnam and between Laos, Vietnam and Kampuchea flourish with every passing day!

#### Foreign Delegations Arrive

BK301330 Vientiane Domestic Service in Lao 1200 GMT 30 Nov 85

[Text] On the morning of 30 November 1985, a SRV party and state delegation led by Comrade Le Duan, general secretary of the CPV General Committee; a PRK party and state delegation led by Comrade Heng Samrin, general secretary of the KPRP Central Committee and chairman of the Council of State; and a Soviet party and state delegation led by Comrade Yakov Petrovich Ryabov, member of the CPSU Central Committee, member of the Supreme Soviet, and deputy chairman of the Council of Ministers, separately arrived in Vientiane by special flights to celebrate, together with the party, state, and people of various tribes of Laos, the 10th founding anniversary of the LPDR.

Ceremonies were organized to welcome each of the delegations in a dignified manner. Welcoming the SRV party and state delegation was Comrade Phoumi Vongvichit, member of the LPRP Central Committee Political Bureau and vice chairman of the Council of Ministers; welcoming the PRK party and state delegation was Comrade Sisomphon Lovansai, member of the LPRP Central Committee Political Bureau, and vice chairman of the SPC; and welcoming the Soviet party and state delegation was Comrade Sali Vongkhamso, member of the secretariat of the LPRP Central Committee, vice chairman of the Council of Ministers, and chairman of the State Planning Committee. Various deputy ministers, many high-ranking cadres, and hundreds of people were also on hand to welcome the delegations at the airport.

Also arriving in Vientiane on the same day were a delegation from the Republic of Cuba, led by Comrade Juan Almeida Bosque, member of the Political Bureau of the Communist Party of Cuba Central Committee, chairman of the Party Control and Revisions Committee and vice president of the Council of State of the Republic of Cuba; a delegation from the MPR, led by Comrade Dondogiyn Tsebegmid, member of the MPRP Central Committee and deputy chairman of the Council of Ministers of the MPR; a delegation from Bulgaria, led by Comrade (Savadan Bokov), member of the Bulgarian Communist Party Central Committee and first vice chairman of the Council of National Front; a delegation from the Hungarian People's Republic, led by Comrade Imre Katona, member of the Hungarian Socialist Workers' Party Central Committee; a delegation from Romania, led by Comrade Ludovic Fazekas, member of the Romanian Communist Party Central Committee Political Bureau and deputy prime minister of the Socialist Republic of Romania; and a delegation from India, led by Comrade M.K.R. Marayanan, minister of external affairs. [name and title as heard] Each of the delegations was warmly welcomed upon their arrival by comrade leaders of our party and state. Diplomats of each country concerned also welcomed their delegations at the airport.

## Leaders Greet SRV Counterparts

BK010351 Vientiane Domestic Service in Lao 1200 GMT 30 Nov 85

[Text] At 1500 on 30 November, LPDR party-state leaders led by Comrade Kaysone Phomvihane, general secretary of the LPRP Central Committee and chairman of the Council of Ministers, received a courtesy call by the SRV party-state delegation led by Comrade Le Duan, general secretary of the CPV Central Committee.

Present with Comrade General Secretary Kaysone Phomvihane in receiving the guests were comrade members of the LPRP Central Committee Political Bureau -- Souphanouvong, Nouhak Phoumsavan, Phoumi Vongvichit, General Khamtai Siphandon, and Sisomphon Lovansai; and comrade secretaries of the party Central Committee -- Sali Vongkhamdao, General Sisavat Keobounphan, Saman Vi-gnaket, and Maichantan Sengmani.

Comrade Dang Thi, member of the CPV Central Committee and chairman of the SRV committee for economic and cultural cooperation with the LPDR and the PRK; Comrade Vu Quang, member of the CPV Central Committee and head of the party Central Committee Department of Foreign Relations; Hoang Bich Son, vice foreign minister; and Nguyen Xuan, SRV ambassador extraordinary and plenipotentiary to Laos, were with the SRV party-state delegation in paying a courtesy call on the LPDR party-state leaders.

On this occasion, Comrade General Secretary Kaysone Phomvihane extended a warm and intimate welcome to Comrade General Secretary Le Duan and his party for having honored the LPDR to attend the celebration of the 10th founding anniversary of the LPDR. At the same time, the comrade also expressed satisfaction with the great friendship, special militant solidarity, and all-round cooperation between the Lao and Vietnamese parties, states, and peoples, which have been nurtured and strengthened to develop more beautifully. Acting on behalf of the LPRP Central Committee, the LPDR Government, and the Lao people, Comrade General Secretary Kaysone Phomvihane expressed profound gratitude to the fraternal Vietnamese party, government, and people for rendering great and invaluable support and assistance to the Lao People's national liberation struggle in the past and national defense and socialist transformation and construction at present.

During the conversation, Comrade General Secretary Le Duan expressed his happiness and elation in paying a visit to the LPDR and attending the celebration of the 10th founding anniversary of the LPDR. He also wholeheartedly hailed the great and all-round achievements scored by the Lao people in the past 10 years under the talented leadership of the LPRP. He highly valued the growth and strength of the Lao revolution. Acting on behalf of the Vietnamese party, state, and people, he wished the fraternal Lao party, state, and people new greater successes in fulfilling the Second 5-year state economic and social construction plan between 1986 and 1990 and in convening the forthcoming fourth LPRP congress. Later, Comrade Le Duan and his party visited the 1985 trade fair which has been organized to mark the 10th founding anniversary of the LPDR.

## PRK Leaders Received

BK010810 Vientiane Domestic Service in Lao 1400 GMT 30 Nov 85

[Text] At 1600 on 30 November, our party and state leaders led by Comrade Kaysone Phomvihane, general secretary of the LPRP Central Committee and chairman of the Council of Ministers, received a courtesy call by the PRK party-state delegation which is paying a visit to the LPDR to attend the celebration of the 10th founding anniversary of the LPDR in Vientiane. The delegation is led by Comrade Heng Samrin, general secretary of the KPRP Central Committee and president of the State Council of the PRK.

At the courtesy call, Comrade General Secretary Heng Samrin held a ceremony to confer the Angkor Victory Medal, which is the highest order of the PRK, on Comrade General Secretary Kaysone Phomvihane and Comrade Souphanouvong, member of the LPRP Central Committee Political Bureau, president of the LPDR, and chairman of the SPC of the LPDR.

Present with Comrade General Secretary Kaysone Phomvihane in welcoming the PRK party-state delegation were comrade members of the LPRP Central Committee Political Bureau -- Souphanouvong, Nouhak Phoumsavan, Phoumi Vongvichit, General Khamtai Siphandon, and Sisomphon Lovansai; and comrade secretaries of the party Central Committee -- Sali Vongkhamsoo, General Sisavat Keobounphan, Lieutenant General Saman Vi-gnaket, and Maichantan Sengmani.

Accompanying Comrade General Secretary Heng Samrin in paying the courtesy call on our party and state leaders were Comrade Bou Thang, member of the KPRP Central Committee Political Bureau, vice chairman of the Council of Ministers, and minister of national defense; Comrade Kong Korm, member of the party Central Committee and first deputy foreign affairs minister; and Comrade Nguon Phansiphon, PRK ambassador extraordinary and plenipotentiary to Laos.

On this occasion, Comrade General Secretary Kaysone Phomvihane expressed a wholehearted tribute and welcome to the PRK party-state delegation for attending the celebration of the 10th founding anniversary of the LPDR. He expressed his congratulations to the great and miraculous achievements and victories scored by the Cambodian people under the leadership of the KPRP led by Comrade General Secretary Heng Samrin in doing away with the serious vestiges left behind by the genocidal Pol Pot-Ieng Sary regime, thereby gradually restoring and developing the economy and improving the living conditions of the peoples, and securely safeguarding the fruits of the revolution.

During the conversation, Comrade General Secretary Heng Samrin expressed great elation and satisfaction that he could attend the celebration of the 10th founding anniversary of the LPDR. He highly valued the friendship and special militant solidarity between the Lao and Cambodian parties, states, and peoples and among the peoples of Cambodia, Laos, and Vietnam, which have been incessantly strengthened and developed and which cannot be destroyed by any enemies.

#### Soviet Delegation Greeted

BK011010 Vientiane Domestic Service in Lao 1400 GMT 30 Nov 85

[Text] At 1700 on 30 November 1985, LPDR party and state leaders led by Comrade Kaysone Phomvihane, general secretary of the LPRP Central Committee and chairman of the Council of Ministers, received a call from the Soviet party and state delegation led by Yakov Petrovich Ryabov, member of the CPSU Central Committee, member of the Supreme Soviet, and deputy chairman of the Council of Ministers of the USSR, which is currently visiting Laos to attend the celebration of the 10th founding anniversary of the LPDR. Accompanying Comrade General Secretary Kaysone Phomvihane in receiving the guests on this occasion were comrade members of the LPRP Central Committee Political Bureau -- Comrade Souphanouvong, Comrade Nouhak Phoumsavan, Comrade Phoumi Vongvichit, Comrade General Khamtai Siphandon, and Comrade Sisomphon Lovansai -- along with comrade members of the Secretariat of the LPRP Central Committee -- Comrade Sali Vongkhamsoo, Comrade General Sisavat Deobounphan, Comrade Saman Vi-gnaket, and Comrade Maichantan Sengmani.

The meeting and conversation between the guests and the hosts proceeded in a very friendly and profound atmosphere. Comrade General Secretary Kaysone Phomvihane expressed wholehearted welcome to and pleasure over the Soviet party and state delegation's trip to attend the 10th founding anniversary of the LPDR.



He also expressed profound gratitude to the party, government, and fraternal people of the Soviet Union for having always rendered a great and effective assistance to the Lao revolutionary cause. Comrade Kaysone Phomvihane reiterated full support for the reasonable proposal of the Soviet Union on the problem of an arms reduction, a halt to nuclear arms race, and an opposition to the imperialists' "star wars" program.

Comrade Yakov Petrovich Ryabov expressed his satisfaction over the great victories and achievements scored by the Lao people over the past 10 years, in particular in defending the outpost of socialism in Southeast Asia. He also highly appreciated the fraternal solidarity, friendship, and all-round cooperation between the two parties, states, and peoples of the Soviet Union and Laos. The Soviet party and state delegation once again reiterated a wish for the daily development and strengthening of the relations of fraternal friendship between the two parties, governments, and peoples so that they cannot be crushed by any enemy.

#### GDR, Polish, CSSR Groups Arrive

BK011337 Vientiane Domestic Service in Lao 1200 GMT 1 Dec 85

[Text] On 1 December 1985, a party and state delegation of the GDR, led by Comrade Werner Felde, member of the Politburo and secretary of the SED Central Committee; and party and state delegation of the Polish People's Republic led by Comrade Stanislaw Opalko, member of the Polish United Workers' Party Central Committee Politburo; and a party and state delegation of the CSSR led by Comrade Matej Lucan, member of the Central Committee of the Communist Party of Czechoslovakia and vice chairman of the Council of Ministers of the CSSR, separately arrived in Vientiane by special flights to attend the celebration of the 10th founding anniversary of the LPDR.

The delegations were welcomed upon their arrival at Wattai Airport by comrade party and state leaders of the LPDR together with ambassadors of the countries concerned in a warm and friendly atmosphere.

#### Guests Visit Memorial

BK011106 Vientiane Domestic Service in Lao 0500 GMT 1 Dec 85

[Text] On 1 December 1985, party and state delegations of various fraternal socialist countries attending the celebration in Vientiane of the LPDR's 10th anniversary took turns laying wreaths at the revolutionary memorial to mourn those Lao revolutionary fighters who sacrificed their lives for the Lao revolution. The party and state delegations laying wreaths at the memorial included the SRV delegation led by Comrade Le Duan, general secretary of the CPV Central Committee; the PRK delegation led by Comrade Heng Samrin, general secretary of the KPRP Central Committee and chairman of the Council of State of the PRK; and the Soviet delegation led by Comrade Yakov Petrovich Ryabov, member of the CPSU Central Committee, member of the Supreme Soviet, and deputy chairman of the Council of Ministers of the USSR.

Also laying wreaths at the memorial on this occasion were the party and state delegations of the Republic of Cuba, the People's Republic of Bulgaria, the MPR, the Hungarian People's Republic, the Polish People's Republic, the Socialist Republic of Romania, the CSSR, the GDR, and the DPRK. The delegation of the Republic of India Government as well as diplomats of various countries and representatives of other international organizations in Laos also separately laid wreaths at the memorial on the same day.

## Souphanouvong Addresses Rally

BK020756 Vientiane Domestic Service in Lao 0500 GMT 2 Dec 85

[Opening speech by Souphanouvong, president of republic and chairman of SPC of LPDR, at rally held in Vientiane on 2 December on occasion of 10th anniversary of National Day -- recorded]

[Text] Beloved comrade cadres and combatants and fraternal people: Amid a lively atmosphere today, our entire party, Army, and people of various tribes throughout the country are elated to organize a celebration ceremony to mark the 10th anniversary of the establishment of the LPDR. On this occasion, on behalf of the LPRP Central Committee, the SPC, the Council of Ministers, and the Lao Front for National Construction, I would like to express salutations and sincere thanks to all distinguished guests from various fraternal socialist and friendly countries, representatives of various international organizations, members of diplomatic corps, representatives of foreign experts, and representatives of the Vietnamese volunteer forces who have been performing their duties in Laos for attending with us this historic, glorious celebration ceremony today. I express salutations to comrade senior revolutionaries, national heroes and emulation combatants, representatives of workers and farmers, socialist intellectuals, cadres, combatants, personages, Buddhist monks and novices, and representatives of the people of various tribes from various central branches and grass roots and from various localities throughout the country as well as to members of various mass organizations, members of the youth, trade, and women unions, and heroic Vientiane residents who are attending the celebration rally here.

The establishment of the LPDR was a milestone and a historic turning point. Following the establishment of the LPDR, our nation has marched forward to a new era -- an era of independence, freedom, and socialism. This is a great, overall success of our Lao people in carrying out the heroic, resolute, and undaunted struggle under the leadership of the elegant and dignified LPRP against the imperialists and colonialists over the past 3 decades.

In the past 10 years, thanks to the correct and clear-sighted leadership of the party and with great international support and assistance, our Army and people of various tribes throughout the country have united as one and have overcome various difficulties, obstacles, and trials and built and strengthened the revolutionary forces in all respects. We have successfully smashed all the enemies' multifaceted schemes of subversion and sabotage, thereby securely safeguarding the independence, sovereignty, and the new system. We have scored great, all-round, and steady victories in the cause of defending and building socialism throughout the country. As a result, our beloved LPDR has been developed and strengthened with each passing day. We, together with the two fraternal nations of Vietnam and Cambodia, have stood firmly and elegantly in the forefront of the socialist camp in Southeast Asia.

On the occasion of the celebration of this glorious, historical day, let our entire party, Army, and people of various tribes throughout the country strive to promote and expand our achievements; continue to enhance the patriotic spirit and the spirit of cherishing socialism; strengthen our self-reliance and sense of building our own strength; cement our internal solidarity; continue to vigorously step up the struggle and production movements; heighten our revolutionary vigilance; strive to compete in scoring achievements in all fields; and prepare all conditions for the implementation of the Second 5-Year State Plan to score achievements to welcome the fourth party congress.

In a spirit of elation over the great achievements already scored, our party, government, people of various tribes, and Army have always been profoundly grateful for the great and sincere support and assistance of various fraternal socialist countries, friendly countries, international organizations, and peace-loving and progressive people throughout the world. We continue to pursue a foreign policy of peace, independence, and socialism and are determined to do our best to strengthen the solidarity and special militant alliance with fraternal Vietnam and Cambodia and to strengthen the solidarity and all-round cooperation with the Soviet Union and other fraternal countries in the socialist community. We have positively contributed to the Nonaligned Movement and maintained solidarity and established relations of friendship and cooperation with various countries throughout the world, first and foremost, and with the various neighboring countries in this region. We have completely supported the peace initiatives and correct stand of the Soviet Union in the Soviet-U.S. summit meeting, which are aimed at putting an end to the arms race and eliminating the danger of nuclear war in order to safeguard world peace and for the survival of mankind.

On behalf of the Presidium, I now officially announce the opening of the celebration ceremony of the 10th founding anniversary of the LPDR. I have the honor to invite our beloved and respected Comrade Kaysone Phomvihan to deliver a speech [applause]

SRV Officers Honored

BK301024 Vientiane KPL in English 0907 GMT 30 Nov 85

[Text] Vientiane, November 30 (KPL) -- An award ceremony of Vietnamese military orders to Lao officers who have contributed to strengthen the combative solidarity between the Lao and Vietnamese Armed Forces was held here on November 29.

The Vietnamese State Council, on the occasion of the forthcoming 10th national day of the Lao PDR has decided to award orders, 18 with the second class and 35 other with the third class order.

Present at the award ceremony were Sali Vongkhamsao, secretary of the LPRP CC, vice-chairman of the Council of Ministers and chairman of the State Planning Committee, Saman Vi-gnaket, secretary and head the organisational commission of the LPRP CC, Maisouck Saisompheng, member of the LPRP CC, and minister of industry, handicraft and forestry and other high ranking officials.

The ambassador extraordinary and plenipotentiary of the SR of Vietnam to Laos, Nguyen Xuan, on this occasion handed over the awards to the Lao officers, and Nguyen Dinh Tran, the military attache of the Vietnamese Embassy to Laos was also on hand.

Siphon Phalikhan, member of the LPRP CC, vice-minister of defence and head of the General Political Department of the LPA and N. Xuan expressed their satisfaction over the unceasing development of the fraternal combative solidarity and the allround cooperation between the Lao and Vietnamese nations and peoples.



LE DUAN, OTHERS BID FAREWELL TO GANDHI

OW280841 Hanoi VNA in English 0753 GMT 28 Nov 85

[Text] Hanoi VNA Nov 28 -- The Indian Prime Minister and Mrs Rajiv Gandhi and other Indian guests left Hanoi early this morning concluding their official friendship visit to Vietnam, which has marked a new qualitative development in the friendly and cooperative relations between the two countries.

Before his departure, Prime Minister Rajiv Gandhi met again at the government guest house, with Le Duan, Pham Van Dong, Nguyen Huu Tho, To Huu, Pham Hung, Van Tien Dung, Nguyen Co Thach, Mrs Nguyen Thi Binh, Tran Vy, Dang Hoi Xuan, and Hoang Anh Tuan.

Prime Minister Rajiv Gandhi sincerely thanked the Vietnamese leaders and people for their warm hospitality. Coming here, he said, I saw with my own eyes that the Vietnamese nation is a gentle one. The Indian peoples have treasured their friendship with the Vietnamese people, respected them and admired their undaunted will and courage. The traditional Indo-Vietnamese relations have existed for many years now. Here, I would like to reaffirm once again that India will continue its multifaceted cooperations with Vietnam.

On behalf of the party, the state and people of Vietnam, Le Duan expressed his joy at receiving Prime Minister Rajiv Gandhi in Hanoi, and sincerely thanked the Indian Government and people for always standing by the side of the Vietnamese people in adversity as well as in peace.

At 5 a.m. Prime Minister Rajiv Gandhi, his wife and other Indian guests left the government guest house between two lines of honour guards and amidst the drum beats by Young Pioneers. When Prime Minister Rajiv Gandhi, Le Duan, Pham Van Dong stepped into [as received] a red carpet, the military band played the anthems of Vietnam and India. After reviewing the guard of honour, Prime Minister Rajiv Gandhi and his wife shook hands with Vietnamese officials, and representatives of public offices and mass organizations. Prime Minister Rajiv Gandhi, his wife and his party also bid farewell to members of the Indian Embassy here.

Hanoi well-wishers assembled at the Chi Linh square and in front of the government guest house with Vietnamese and Indian miniature flags in their hands, bidding farewell to the guests and expressing their respect and admiration for the great friend of the Vietnamese people who have over the last year, led the Indian people through the most serious trials.

Hanoi red-scarf Young Pioneers presented the Indian Prime Minister and Mrs Rajiv Gandhi and other guests with bouquets of fresh flowers. Le Duan, Pham Van Dong, and other leaders of Vietnam went to the car, shaking hands with Prime Minister Rajiv Gandhi, his wife and other Indian guests. Nguyen Co Thach, Mrs Nguyen Thi Binh, Hoang Anh Tuan and Indian Ambassador to Vietnam Pushkar Johari saw the guests off to the international airport.

## Le Duan, Gandhi Remarks

OW300705 Hanoi Domestic Service in Vietnamese 1100 GMT 28 Nov 85

[Voice of Vietnam reporter's report on 28 November Hanoi send-off ceremony for visiting Indian delegation -- with portions recorded]

[Excerpt] Friends: Prime Minister Rajiv Gandhi of the Republic of India has splendidly ended the official friendship visit to Vietnam that he made at the invitation of Comrade General Secretary Le Duan and Council of Ministers' Chairman Pham Van Dong, and left Hanoi this morning.

Before the send-off ceremony, a cordial meeting took place at the Government Guest House between Comrades Le Duan and Pham Van Dong and His Excellency Rajiv Gandhi. During the meeting, both sides happily noted the splendid results of Prime Minister Rajiv Gandhi's official friendship visit to Vietnam. The visit has further strengthened the longstanding solidarity and friendship between the peoples of Vietnam and India.

In an atmosphere suffused with close solidarity, Comrade General Secretary Le Duan said:

[Begin Le Duan recording in Vietnamese, with simultaneous translation into English] On behalf of our party, Government, and people, I now wish to say that we are extremely enthusiastic in welcoming the Indian Government delegation, because there is something which has bound us together for millennia. Now that Your Excellency has come to visit us and had talks with us, we are highly encouraged. We believe that mankind, through our joint cooperation with the Soviet Union and the world, can achieve peace, and can preserve independence. [end recording]

In response to the heartfelt feelings of the comrade general secretary, Prime Minister Rajiv Gandhi said:

[Begin Rajiv Gandhi recording in English, with translation into Vietnamese after each sentence] Let me thank the leadership and the whole people of Vietnam for the warm welcome and affection that they have shown me. Let me especially thank you for the trouble that you have taken and the [word indistinct], not the least of which is to be here at this unearthly hour. [Laughter]

Our relations with Vietnam (?go) very deep, and they are not just trade or commercial relations. They are based on certain ideology, certain principles we both stand for. There is also deep respect for the Vietnamese people amongst the Indian people, for your valor and your strength and your spirit.

And let me once more say that we will cooperate with you wherever we can, however we can, to help you in rebuilding your country. [end recording]

[Begin Le Duan recording in Vietnamese] Thank you very much. Thank you very much. [end recording]

#### Delhi on Gandhi Visit

BK280325 Delhi Domestic Service in English 0240 GMT 28 Nov 85

[Text] The prime minister, Mr Rajiv Gandhi, is on his way to Tokyo on a 4-day visit to Japan. He is scheduled to meet the Japanese prime minister, Mr Nakasone, this afternoon. The talks are to be followed by a banquet to be hosted by Mr Nakasone in honor of Mr Gandhi in the evening.

During his 1-day stay in Vietnam the prime minister had wide-ranging talks with the Vietnamese leaders. The All India Radio's special correspondent, Radhanath Chaturvedi, reports that India and Vietnam have agreed to cooperation in the field of oil exploration. The details will be worked out by the Oil and Natural Gas Commission and the Vietnam Petroleum Organization. Talks were also held for cooperation in modernizing a textile mill in Vietnam.

India has agreed to provide a short-term credit of 15 crore rupees to Vietnam. Necessary financial arrangements will also be made to enable Vietnam to buy more wheat from India. These decisions were taken on the recommendations of the Indo-Vietnamese Joint Commission.

The leaders of both the countries also reviewed the international situation and other special issues. There was close identity of views on many of the issues. The two sides welcomed the recent Geneva summit and described it as a step in the right direction.

Earlier, addressing a public meeting at Hanoi, the prime minister said India and Vietnam will always strive for peace and global disarmament. He said both the countries are now engaged in the fight against poverty and it is India's privilege to cooperate with Vietnam in her economic endeavor. Recalling the centuries-old friendship, he said both Vietnamese and India were among the first Asian nations to break the colonial fetters. Ever since India got her freedom, she has been fighting for the rights of the people of Asia and Africa at all international forums. In the United Nations, India has taken every opportunity to plead for the freedom of fellow sufferers. Recalling Vietnam's strong struggle for freedom, the prime minister said that sacrifices which Vietnam made to earn and to defend her freedom will ever remain an inspiring chapter in human history. Both our nations, he said, will carry forward the ideals and traditions of the Ho Chi Minh-Jawaharlal Nehru legacy.

#### NHAN DAN on Gandhi Visit

BK291159 Hanoi Domestic Service in Vietnamese 2300 GMT 28 Nov 85

[29 November NHAN DAN editorial: "A New, Very Important Step of Development in the Friendly and Cooperative Relations Between Vietnam and India"]

[Text] The official friendship visit to Vietnam of Mr Rajiv Gandhi, prime minister of the Republic of India, has ended with very fine results. Comrade General Secretary Le Duan, Council of State Chairman Truong Chinh, Council of Ministers Chairman Pham Van Dong, other comrade leaders of our party and people, and the compatriots of Hanoi capital, on behalf of the compatriots nationwide, have warmly welcomed His Excellency Prime Minister and Mrs Rajiv Gandhi, and his suite with their faithful and heartfelt sentiments.

The many cordial talks and discussions between our national leaders and his excellency the prime minister and other Indian guests, together with speeches delivered by both sides at various banquets and mass rallies and at the ceremony posthumously awarding the Gold Star Order to the late Prime Minister Indira Gandhi, signal the great outcome of this visit which is a shining and vivid manifestation of a new, very important step of development in the friendly and cooperative relations between Vietnam and India. The past 2 days -- 27 and 28 November -- were the great festive days of the longstanding Vietnamese-Indian friendship which, painstakingly built up and cultivated by President Ho Chi Minh and Prime Minister Jawaharlal Nehru, has become ever more shining.

His Excellency Rajiv Gandhi told the representatives of the Hanoi people: We understand one another through our voices and hearts. How deeply our people are moved by India's compassion for Vietnam, which his excellency the prime minister has brought to us. His excellency the prime minister reserved his finest words for great President Ho Chi Minh and our people. He highly valued the Vietnamese people's undertaking, regarding it as a heroic struggle for freedom and as an enduring and inspiring page in the history of mankind. He also expressed his profound understanding for the difficulties now facing our people in their efforts for national construction and defense. On behalf of our people, Comrade Le Duan, Truong Chinh, and Pham Van Dong availed themselves of this opportunity to once again express our people's admiration and affection for the Indian people, for the great sons of the Indian people -- namely the late Prime Ministers Jawaharlal Nehru and Indira Gandhi -- for the role of the Republic of India and its eminent contributions to the Nonaligned Movement with Prime Minister Rajiv Gandhi as its chairman, and for the great achievements scored over the past year by India under the leadership of his excellency the prime minister, the loyal and outstanding continuator of Indira Gandhi's work.



A striking feature of the visit to Vietnam by His Excellency Prime Minister Rajiv Gandhi was the high identity of view of both sides over major political issues, over regional and international problems, and over the relations between the two countries. Comrade General Secretary Le Duan said: We are very pleased at the outcome of the talks between your excellency the prime minister and us. Our exchanges of views took place in the spirit of friendship and mutual trust. We also share common interests and goals. We fully agree on the wide prospects for the constant consolidation and development of every aspect of our mutual relations for the benefit of our two countries and for the cause of peace in Asia and throughout the world.

His Excellency Prime Minister Rajiv Gandhi also said: We share a love of freedom. We share a determination never to bend our knee before insolent might. We have a resolve to build our countries out of our own toil. We are together for world peace and cooperation.

Our people note with joy that the visit to our country of Prime Minister Rajiv Gandhi has contributed to strengthening the fraternal solidarity and relationship between Vietnam and India. Our two countries share common interests, a struggle for common goals, and a resolve to struggle for peace by halting the arms race and dispelling the danger of nuclear war. We support the Soviet peace initiatives and demand that the United States join the Soviet Union in translating the favorable prospects of the recent Soviet-U.S. summit into reality through practical works. We wholeheartedly support various national liberation movements, protect the sacred rights of nations, and struggle for the lofty goals of the Nonaligned Movement. We share a common concern over the situation in the Asian-Pacific region, one of the most turbulent regions in the world's political life.

We resolve to totally defeat the policy of military and political confrontation advocated by the imperialist, militarist, and expansionist forces, and together we will struggle to turn Asia and the Pacific into a zone of peace in which the Asian nations can live in independence, freedom, peace, friendship, and cooperation.

Vietnam fully supports India's just stand aimed at defending the independence, sovereignty, and territorial integrity of India, and its efforts to improve its relations with its neighboring countries, to consolidate peace and cooperation in South Asia, and to turn the Indian Ocean into a zone of peace. Vietnam considers India a great country of 700 million people which plays a great role and is a very important factor in maintaining peace and security in Asia and the world.

On the Indian side, Prime Minister Rajiv Gandhi expressed solidarity with the Cambodian people in their determination to rebuild their devastated country, welcomed the initiatives to begin dialogue in Southeast Asia, and expressed the hope that these initiatives would lead to a comprehensive solution to ensure regional peace and stability without outside interference.

Nowadays, the Asian and Pacific people, together with the world people, are fully capable of protecting peace and national independence and of building a new life suitable to the character of each individual nation and the trend of the era. The new step in the qualitative development of Vietnam-India relations was further marked by the intensified cooperation between the two countries. Prime Minister Rajiv Gandhi stressed: India has always sided with you, friends, in all the struggles. Today, India again is siding with you in your national construction. He further said words full of understanding and kindness: You were invaded. The strategy of the aggressors was to bombard and destroy your territory and to eradicate your production.

However, your country -- like an eagle -- has revived from a heap of ash. India has the honor of cooperating with you in economic building. The results of the second meeting of the joint Vietnam-India committee which were announced during the prime minister's visit to Vietnam have brought Vietnam-India cooperation to a new level with a new quality.

The Indian side agreed not only to continue its cooperation with us in the fields of agriculture, animal raising, and railways, but also to expand its cooperation in the fields of oil exploration, textile, and science and technology. We thank the Indian Government and people for their intensified assistance and cooperation.

Our people warmly welcome the great results of Indian Prime Minister Rajiv Gandhi's visit to Vietnam, the new peak of bright and exemplary Vietnam-Indian relations of friendship and cooperation. This was an important event in the history of relations between the two countries which vigorously encourages our people in their glorious revolutionary cause. The results of this visit give new significance to the friendship and cooperation between Vietnam and India which will develop comprehensively with every passing day on a steady and shining basis in the interests of the peoples of the two countries and for the sake of peace, security, friendship, and cooperation in Asia and the world.

Constantly strengthening solidarity with the Soviet Union and other socialist countries, with Laos and Cambodia, with India and other nonaligned countries, and with all the progressive and peace-loving forces in the world, our people have additional strength, support and confidence to victoriously build and defend the socialist fatherland.

#### 'RIGHT OF PURSUIT' NOTED FOR THAI BORDER

HK291424 Hong Kong AFP in English 1410 GMT 29 Nov 85

[Text] Hanoi, Nov 29 (AFP) -- Vietnam today did not deny that its troops in Cambodia were preparing fresh operations against Cambodian resistance guerrillas opposed to the Hanoi-backed Phnom Penh regime, but reiterated its desire to respect Thai territorial integrity. Cambodian and Vietnamese forces' attacks on the guerrillas in Cambodian territory "are a legitimate right of defense" of Cambodia, an official Vietnamese source told AGENCE FRANCE-PRESSE. The source added, however, that "Vietnam always respects Thailand's sovereignty and territorial integrity."

Thai intelligence services affirmed this week that Vietnamese forces, boosted by reinforcements, were preparing for a massive attack against the Cambodian resistance in western Cambodia near the Thai-Cambodian border. The intelligence services said they were sure the fighting would spill over into Thailand. However, reliable sources who declined to be identified, denied to AFP that significant reinforcements had been sent to this border area, and were skeptical that a "massive" anti-guerrilla operation there was imminent.

These sources however admitted that the Vietnamese army would continue its "specific operations against guerrilla pockets along the border, like the recent capture of three strategic hills held by the Khmer Rouge" in Cambodia, southwest of the Thai border. But the sources were more circumspect on the possibility of Vietnamese operations inside Thailand.

"A strategic offensive is out of the question as Vietnam is not interested militarily in a shred of Thai territory. But it cannot be ruled out -- for technical reasons -- that the Vietnamese army in specific cases might have to exercise the right of pursuit against guerrillas coming from Thailand and seeking refuge there."

"From a tactical point of view, it is difficult strictly to observe the border," the sources added. They said that there was no Vietnamese plan to attack Cambodian refugee camps inside Thailand or Khmer Rouge posts near the camps, although the latter might be attacked as part of any "pursuit operations." But this would "only be in response to attacks coming from Thailand," the sources said. They added that there was less risk than last year of clashes with Thai forces as these were now "a bit removed from sectors where the Khmer Rouge are located."

Fighting against the guerrillas would also be less violent than during the last dry season offensive, they said, adding that Khmer Rouge military strength had declined as many inexperienced young guerrillas had been recruited to replace losses in the past year. However the numerical strength of the Khmer Rouge -- the strongest faction in the tripartite resistance -- has remained roughly the same at around 30,000 men, the sources said.

Western estimates place the total strength of the resistance at 45,000-50,000 guerrillas, including the Khmer Rouge and the two other factions in the resistance coalition, respectively led by Prince Norodom Sihanouk and by former premier Son Sann. The Vietnamese press said recently that 20,000 guerrillas were killed or had defected since the start of the Vietnamese army's major dry season offensive a year ago. Vietnam, according to estimates which have never been denied, currently has 150,000-170,000 troops in Cambodia, while western sources estimate the Cambodian army's strength at 30,000 men. Vietnam invaded Cambodia in December 1978, toppling the pro-Beijing Khmer Rouge regime in Phnom Penh and installing the pro-Hanoi Heng Samrin government in its place.

#### LE DUAN DEPARTS FOR CELEBRATION IN LPDR

BK301655 Hanoi VNA in English 1636 GMT 30 Nov 85

[Text] Hanoi VNA Nov 30 -- A high-level party and state delegation of Vietnam led by Le Duan, general secretary of the Communist Party of Vietnam Central Committee, left here today for Vientiane to attend the celebration of the 10th National Day of the Lao People's Democratic Republic at the invitation of that Central Committee of the Lao People's Revolutionary Party and the People's Supreme Assembly of Laos.

The delegation includes Vu Quang, member of the CPVCC, member of the State Council and head of the party's International Department; Dang Thai, member of the CPVCC, minister and chairman of the Commission for Economic and Cultural Cooperation with Laos and Kampuchea; Hoang Bich Son, vice minister for foreign affairs, and Nguyen Xian, Vietnamese ambassador to Laos.

The delegation was seen off by Truong Chinh, Political Bureau member of the CPVCC, president of the State Council, Pham Van Dong, Political Bureau member of the CPVCC, chairman of the Council of Ministers; Nguyen Huu Tho, chairman of the National Assembly; Pham Hung, Van Tieng Dung, Chu Huy Man, To Huu, Do Muoi, Nguyen Duc Tam, Nguyen Co Thatch and other high officials. Lao Ambassador to Vietnam Khampheun Tounalom was also present.



AUSTRALIAGOVERNMENT SURPRISED OVER MARCOS PROTEST

BK300543 Melbourne Overseas Service in English 0430 GMT 30 Nov 85

[Text] Australia's Department of Foreign Affairs has expressed surprise at the Philippine Government's strong protest over remarks made by the foreign minister, Mr. Hayden. A diplomatic protest note issued yesterday in Manila described the recent statement by Mr Hayden in federal parliament as unfriendly and hostile. Australia has also been told it is no longer welcome to use the facilities at the Clark Air Base -- a United States air base under Philippine sovereignty. In his speech to parliament in Canberra on Tuesday, Mr Mayden said the government of President Marcos was facing severe economic dislocation and widespread and understable dissatisfaction with its political and economic record. The Australian foreign minister said human rights abuses, extensive economic injustice, and failure to curb the privileges and political power of the rich in the Philippines had provided fertile ground for insurgency which was now a serious challenge.

The opposition spokesman on foreign affairs, Mr Peacock, has accused Mr Hayden of being clumsy, heavy-handed, and counterproductive in his criticism of the Marcos government.

NEW ZEALANDLANGE ON ANTINUCLEAR LAW APPROVED BY CABINET

HK020557 Hong Kong AFP in English 0548 GMT 2 Dec 85

[Text] Wellington, Dec 2 (AFP) -- New Zealand's antinuclear legislation had been accepted and approved by the cabinet, Prime Minister David Lange said here today. It would be introduced to parliament later this month, Mr. Lange said, after being shown to the U.S. and British Governments through their diplomatic posts here.

Australia, the third partner in the ANZUS defence alliance, would be given a briefing on the bill during a visit this week by deputy Prime Minister Geoffrey Palmer, Mr. Lange said. It was hoped the Americans would look carefully at the bill which had been drafted in such a way as not to break the neither confirm nor deny policy, Mr. Lange said. "I want to stress that there have been considerable efforts made to produce legislation which does not breach the neither confirm nor deny policy.

Our concern is not to legislate against port visits. They are welcome to come here... that welcome is not tendered however to nuclear weaponry or propulsion," mr Lange said. He added that he did not believe the anti-nuclear bill would spell the end of the ANZUS treaty. "I don't envisage ANZUS terminating on whatever day it is in December that we introduce this legislation," Mr. Lange said.

INQUIRY INTO SINKING TIED TO FRENCH COMPENSATION

HK0201638 Hong Kong AFP in English 0630 GMT 2 Dec 85

[Text] Wellington, Dec 2 (AFP) -- New Zealand may not hold a public inquiry into the Rainbow Warrior affair with potential further embarrassment to France, provided there is progress in compensation talks, Prime Minister David Lange said today.

Mr. Lange told reporters here that there might not be a need for a long inquiry following a phone call he described as "jovial" which he received on Saturday from French External Affairs Minister.

The prime Minister, speaking after a cabinet meeting, said he and Mr. Dumas had agreed that French and New Zealand officials would resume negotiations in New York the coming week on reparations for the sinking by French agents of the Greenpeace vessel. Mr. Lange said progress at those talks would determine the future of the Rainbow Warrior inquiry. Under "appropriate" circumstances, "it could be that we would not proceed", he said, adding "In New Zealand's interests we ought not to be at odds with France."

Mr. Lange admitted any decision to stop the inquiry would be a political one. He said Mr. Dumas rang his home in Auckland on Saturday night. "He was, I think, keen to see that New Zealand got a very firm message that France would be resuming negotiations in New York."

Mr. Lange said he himself was "quite assertive" that there would be no deal between Wellington and Paris about the future of Captain Dominique Prieur and Major Alain Mafart, the French secret service agents serving a 10-year jail sentence for the manslaughter of a crewman on the Rainbow Warrior. "I said that we cannot at the New York agenda go into a bargain on the future of the two prisoners in terms of a release to freedom." "Mr. Dumas had acknowledged that," said Mr. Lange.

Meanwhile Greenpeace has confirmed that the Rainbow Warrior will be scuttled off New Zealand's North Island. The vessel will be used as a tourist attraction for divers at Matauri Bay near a tourist resort. Greenpeace originally had planned to sink the ship at another location until local Maoris objected that it would interfere with nearby burial grounds. Greenpeace said the new site was ideal for divers and sight-seers and all that remained was a decision on the cost of towing the ship to its final resting place.

#### PAPUA NEW GUINEA

#### COUNTRY FACES 'SEVERE LIQUIDITY PROBLEMS'

HK300900 Hong Kong AFP in English 0857 GMT 30 Nov 85

[Text] Port Moresby, Nov 30 (AFP) -- Papua New Guinea's New government has announced it will seek foreign aid to salvage the country from "severe liquidity problems." Finance Minister Sir Julius Chan said in a statement yesterday that the problems arose from uncontrolled lending in the past 12 months, AUSTRALIAN ASSOCIATED PRESS reported. Sir Julius also is deputy prime minister of the alliance which won power last week after the last government lost a parliamentary no-confidence vote.

Sir Julius said he would hold discussions with Papua New Guinea banking authorities next week to seek a solution to the money crisis. "Papua New Guinea has severe liquidity problems, and I am not talking about government alone -- the private sector also faces serious difficulties," he said. Sir Julius said Papua New Guinea would "aggressively hunt for donors" to help in projects that would further the country's development. "We will ask them to bring their money, bring their machinery, bring their expertise and let's get moving. We have no choice." Sir Julius said the World Bank had made an unfavourable report on Papua New Guinea following a visit six months ago.

MALAYSIASTOCK EXCHANGE SUSPENDS TRADING 2 DECEMBER

BK020633 Kuala Lumpur International Service in English 0600 GMT 2 Dec 85

[Text] The Kuala Lumpur Stock Exchange this morning suspended all trading until further notice. This followed a similar decision by the Singapore Stock Exchange [SSE] to suspend trading in the republic to prevent panic sellings after a major industrial venture [words indistinct] was placed under receivership on Saturday night. The SSE announced suspension of trading last night.

Reports from Singapore said the unprecedented suspension of the stock exchange in the republic had brought fears and adverse reactions among stock players, investors, and bankers. One broker said if the suspension lasted too long, millions of dollars would be frozen which could lead to a serious crisis. According to him, once trading resumes, large price falls could be the result, worsening further the conditions seen in the past 2 weeks when the trading index plunged by 70 points.

RITHAUDDEEN VIEWS PRC NONSUPPORT OF COMMUNISTS

BK301447 Kuala Lumpur Domestic Service in English 1330 GMT 30 Nov 85

[Text] China's assurance that it will not interfere in the domestic affairs of Malaysia is a slap for the Communist Party of Malays, CPM, which has all along assumed their acceptance by the superpower. Foreign Minister Tengku Ahmad Rithauddeen said it was a misconception on the part of the CPM leaders to think that they always had the support of the Chinese Communist Party, CCP, in toppling the government elected by the people.

He was speaking to reporters after opening a prayer call organized by the Wanita UMNO [women's wing of United Malays National Organization], Kota Baharu division. He said China's emphasis that the CPM issue was a domestic problem demonstrated the liberal attitude of Chinese leaders. Tengku Rithauddeen, who had just returned from a 9-day trip to China with the prime minister, said that although Malaysia was sensitive to the position of the CCP, it was a sort of stumbling block to closer bilateral relations, especially in the field of trade and commerce. Malaysia, he said, was heartened by the assurance and would thus reciprocate by giving support and cooperation to China in assisting to develop the country and improve the standard of living of the people.



COURT ACQUITS DEFENDENTS IN AQUINO TRIAL

HK020454 Quezon City Maharlika Broadcasting System in English 0400 GMT 2 Dec 85

[Text] The Sandiganbayan today acquitted Armed Forces Chief of Staff General Fabian Ver and 24 other military men and one civilian accused in the Aquino-Galman murder cases. The Sandiganbayan found it was Rolando Galman who shot former Senator Benigno Aquino Jr., and a soldier in a SWAT van who shot Galman in the fulfillment of duty. In its 90-page decision the Sandiganbayan cited the following:

The testimony of prosecution witness Rebecca Quijano was incredible [words indistinct] of her previous conviction on crimes committed abroad, Quijano's mental state and Quijano's being coached by Dean Andres Narvasa, general counsel of the defunct Agrava fact-finding board, before she testified at the Sandiganbayan. Quijano, dubbed as the crying lady, was the lone prosecution witness to testify that she saw a soldier in Metrocom [metropolitan command] uniform shoot former Senator Benigno Aquino Jr., while Aquino was descending from a China Airlines plane at the Manila International Airport on August 21, 1983.

The court also found that the accused were not guilty of the crime and thereby absolved them of any criminal and civil liability. All the 17 principles accused were also ordered released from custody.

The verdict was written by presiding Justice Manuel Pamaran and concurred with by associate justices Augusto Amores and Bienvenido Veracruz of the Sandiganbayan First Division. In its decision, the Sandiganbayan threw away the military conspiracy theory pursued by state prosecutors.

In acquitting Ver and the 25 others, the Sandiganbayan gave credence and weight to the testimonies of defense witnesses who pointed to Galman as Aquino's assassin. Among the [words indistinct] Galman were Augusto Floresca, Lydia Morata, Pelagio Hilario, (Jose Flores) (Roly Buwan); Sergeants Arnulfo de Mesa, Pablo Martinez, Rolando de Guzman; and Constable First Class Rogelio Moreno.

In acquitting the military men who killed Galman, the Sandiganbayan also said it was a justifying circumstance, hence the soldiers were cleared of any criminal and civil liabilities.

Acquitted along with General Ver who were charged as accessories were Major General Prospero Olivas, Metrocom chief on leave; Sergeants Pablo Martinez, (Juan Fernandez), Leonardo Mojica, (Pepito Dorio), Prospero Bona; and Airman First Class [name indistinct].

Acquitted [words indistinct] were Brigadier General Luther Custodio, Colonel Vicente Tigas, Colonel Arturo Custodio, Captain Felipe Valerio, Captain Llewelyn Cavinta, Captain Romeo Bautista, Second Lieutenant Jesus Castro, Sergeants Arnulfo de Mesa, Claro Lat, Filomeno Miranda, Rolando de Guzman, Ernesto Mateo, Rodolfo Desolong, Armando Dela Cruz, Constable First Class Rogelio Moreno, Constable First Class Mario Lazaga, Airman First Class (Cordoba Estreno) and the lone civilian accused as an accomplice, business Hermilo Gusuico.

The Sandiganbayan decision came exactly 10 months and 9 days since the two murder cases were filed by the Tanodbayan on January 23, based on the two reports of the Agrava board, which investigated the Aquino assassination for nearly 1 year. In 50 actual days of trial, exactly 104 witnesses were presented -- 76 by the prosecution and 37 by the defense [numbers as heard] -- after a trial of [words indistinct] February 22, and both panels rested their cases on September 26.

The decision was read before a jam-packed crowd by Clerk of Court Nenita Chico-Nazario in the presence of all the 26 accused. Except for Major General Prospero Olivas, who was in uniform, all the men were wearing barong [native shirt]. Court personnel Nora Concepcion and Corazon Pamaran alternated with Nazario in reading the promulgation, which lasted more than 2 hours.

#### REACTION TO TRIAL VERDICT REPORTED

##### Manila Placed on Alert

HK020625 Dagupan City DZDL Radio in Tagalog 0445 GMT 2 Dec 85

[Text] A big demonstration is scheduled to be held today by a multisectoral group which will congregate at Mendiola Street this morning. The group has been holding a vigil at Executive House since last night while awaiting the decision to be handed down on the Aquino-Galman case. Manila was placed on red alert for the occasion, after reports were received of a threatened noise barrage to be held this morning and tonight.

##### Corazon Aquino Condemns Verdict

OW020553 Tokyo KYODO in English 0533 GMT 2 Dec 85

[Text] Manila, Dec. 2 KYODO -- Corazon "Cory" Aquino said Monday she does not believe that the truth emerged in the court hearing that led to the acquittal of all 26 accused in the 1983 assassination of her husband Benigno "Ninoy" Aquino. She said she knows of important evidence that has not yet emerged and said she will pursue the matter.

She told a press conference: "Now that the verdict is out, the Filipino people can fully understand why I said from the beginning that justice is not possible so long as Mr. Marcos continues to be head of our government."

But she added that only a few people were responsible for the murder and therefore she is not prepared to condemn all 13,000 Philippine military officers.

"I now appeal to the different elements of the military to help me get the facts and the truth about the assassination," she said. She said she has talked to several witnesses in the past.

"My whole being tells me it is impossible for Rolando Galman to have shot Ninoy. I still hold Marcos responsible for the assassination of Ninoy." She said she will continue her investigation. "I would like to get the facts now, and I would like to pursue this after Marcos is no longer head of our government." She said: "My number one suspect is Mr. Marcos. Since he was not even mentioned in the trial, it wasn't really of too much concern whether one or all were acquitted. "If the accused were really so innocent, they would have been jumping for joy, but who am I to judge."

She explained that the acquittal of all the accused had nothing to do with her earlier decision to accept a draft to run as a presidential candidate against Marcos in elections set for next February. "Even before the verdict came out, I had already decided to accept the draft to run. It is only that I cannot formally announce it until after Marcos signs into law the bill setting the election." The formal signing by Marcos is expected shortly. Asked whether she sees the election as one of the possible ways of seeking justice, she said: "Maybe that would be part of it."

"But in addition, I appeal to all Filipinos to help restore rights and freedoms for all of us.

"You cannot just rely on the electoral process. We can no longer be passive."

Agapito "Butz" Aquino, younger brother of the slain opposition leader, commented: "Some people expect another emotional outburst, but I think we should graduate from that.

"We would graduate to something more concrete and sober."

Asked what sober things could be done; Aquino said: "Boot Marcos out of office." He said there are many ways of doing this but did not elaborate.

#### Widow Charges Marcos

HK020521 Hong Kong AFP in English 0512 GMT 2 Dec 85

[Excerpt] Manila, Dec 2 (AFP) -- Slain opposition leader Benigno Aquino's widow Corazon today charged that President Ferdinand Marcos had ordered her husband killed and vowed to seek justice when the chief executive was no longer in power.

"I really believe that Marcos gave the order. After all we are living in one-man rule," Mrs. Aquino told a news conference after a court cleared the 26 accused of her husband's slaying after a nine-month trial, which the Aquino family has shunned.

She said she would seek justice later and wait "until Mr. Marcos is no longer head of our government." Mr. Marcos has been president since 1965.

"Mr. Marcos should be among accused, so it's not my concern that one or all will be acquitted," she said.

Mrs. Aquino, who is being pressed by supporters to face Mr. Marcos in a special presidential poll set for February 7, said she would make her stand known on her candidacy after Mr. Marcos signs a special election law providing for the poll.

The signing is due to take place in the next few days, possibly today.

#### Ver Discusses Verdict

OW020431 Tokyo KYODO in English 0407 GMT 2 Dec 85

[Excerpts] Manila, Dec. 2 KYODO -- A special court Monday acquitted all 25 military men and one civilian charged with the 1983 assassination of opposition leader Benigno Aquino.

Among the 26 acquitted was Armed Forces Chief of Staff Gen. Fabian Ver.

All were ordered freed immediately from whatever type of military custody or bail they were subject to during the past year.



President Ferdinand Marcos has frequently stated that Gen. Ver would automatically return to his post of chief of staff if acquitted.

Gen. Ver told reporters: "I never had any doubt that I would be acquitted because there was never any cause for accusing me or indicting me."

Asked about his plans for returning to his post as chief of staff, he said: "I have to report for instructions to the commander in chief (President Marcos)."

Col. Arturo Custodio, alleged to have fetched Galman from his rural farmhouse a few days before the assassination, said: "I expected it because we are all innocent, I believe."

Most of the other acquitted men refused to talk to reporters.

Gen. Ver had originally scheduled a press conference immediately after the verdict, but it was suddenly cancelled. Asked why it was cancelled, his lawyer Antonio Coronel said: "You can see the atmosphere here now. Let him rest for a few days."

Two of the main prosecution lawyers in the case did not attend the session to hear the judgment.

The original head of the five-member prosecution panel, Justice Manuel Herrera, who has a courtesy rank equal to that of an appeals court justice, did not attend his office, which is in the same building as the court.

He has excused himself from heading the prosecution team since August [words indistinct] mystery about the reason for his sudden withdrawal from the case.

Personal friends of his have said he withdrew because he considered he was getting interference from higher authorities about his vigorous prosecution of the case.

Another prominent absentee was lawyer Lupino Lazaro, who appeared as a private prosecutor representing the family of alleged assassin Rolando Galman.

Lazaro sent a message saying he would stay away from the reading of the judgment in protest against the court's handling of the case. Lazaro's message, given to reporters at the courtroom, said he could be found at Aquino's grave in suburban Metropolitan Manila 30 minutes after the judgment.

One of the prosecution team, Leonardo Tamayo, was asked if he considered the court had in effect stated that the prosecution presented a weak case. He replied: "Yes, we have a weak case, legally speaking."

Ver's defense lawyer, Antonio Coronel, told reporters that the special court's verdict can not be appealed to the Supreme Court. Thus the judgment is final, he said.

He added: "I fully expect there will be displeasure coming from the other side."

Asked why there had been such haste in disposing of what many considered to be a very important case, Coronel said: "When you say important, you mean politically, not legally. I am only a lawyer."

He added that he considers the reinstatement of his client Gen. Ver as chief of staff is a foregone conclusion because of an earlier commitment given by President Marcos.

#### Court, Ver Comment

HK021059 Hong Kong AFP in English 1004 GMT 2 Dec 85

[Excerpt] Manila, Dec 2 (AFP) -- Mr. Marcos called for a meeting with Gen. Ver and other top military officials tomorrow, according to an official statement which said the president had approved the general's "request" to "resume his duties."

He said Gen. Ver, whose reinstatement is opposed by U.S. officials who have threatened to reduce military and economic aid to Manila, will serve "for such period as may be decided by me and on the advice" of other senior officers.

More than 200 students were blocked by riot police when they tried to march to the presidential palace to demand Mr. Marcos's resignation and denounce the verdict and reinstatement. They called Gen. Ver "Berdugo," or executioner.

Gen. Ver said in a statement released as the Presidential Palace confirmed his reinstatement that "with the grace of God, the ordeal which my family and I had undergone for the past two years has come an end."

Critics had linked him to the murder within days of its occurrence.

"It is my fervent hope that the cloud of suspicion over me and my comrades in the military shall be forever cleared," he said.

A total of 24 soldiers and one civilian were charged with Gen. Ver for the murder of Mr. Aquino and Mr. Galman, staining the entire military's image.

He called on fellow soldiers and their families to "close ranks to forget the bitterness and anguish of the past" and help "put the country back on the road of greatness by joining hands especially at this time in our history."

Prosecutors had held that a trooper shot Mr. Aquino on the lower steps of a stairway leading to the tarmac, and that Mr. Galman was a scapegoat brought by soldiers to the scene, murdered, and made to appear as the assassin.

"Considering the evidentiary facts extant in the records, the court finds all accused innocent of the crimes charged ...and accordingly, they incur neither criminal or civil liability," the three-judge tribunal said.

It said prosecutors failed to prove guilt "beyond reasonable doubt."

The court, called the Sandiganbayan, was set up in 1979 to try public servants accused of offenses connected with the exercise of official functions.

It zeroed in on the star witness of the prosecution, businesswoman Rebecca Quijano, who had pinpointed an enlisted man of the paramilitary Philippine Constabulary, Rogelio Moreno, as Mr. Aquino's assassin.

It said her "rehearsed" testimony was of "dubious character" and clashed with other prosecution evidence, adding that she suffered from "emotional instability" and was influenced by people who wanted to "make political capital out of this national tragedy."

The court described itself as "free from blinding passions and unmindful of political pressure."

#### Officials, Opposition React

HK020425 Hong Kong AFP in English 0413 GMT 2 Dec 85

[By Roberto Coloma]

[Excerpts] Manila, Dec 2 (AFP) -- A trial court here today acquitted Philippine Armed Forces Chief General Fabian Ver and all 25 co-accused in the 1983 Benigno Aquino murder and said a communist hitman had killed the opposition leader.

"Thank God it's all over," Gen. Ver, who has been on leave as Armed Forces Chief since being implicated in the crime in October 1984, told reporters.

Some 200 youths outside the jam-packed court shouted "Hang Ver" after the verdict was read, threatened to march to the Presidential Palace, and called for a nationwide student boycott to protest the verdict.

Inside the courthouse, pandemonium broke out after the decision was read as reporters surged forward to talk to Gen. Ver. The Armed Forces chief was smiling even before the verdict was announced unlike the other accused who wore grave expressions.

Agapito Aquino, a younger brother of the slain politician, told AGENCE FRANCE-PRESSE after the verdict: "The Aquino family feels that there is no justice under the Marcos regime. Of course, we are not happy with the results, but the results are not surprising."

The family, led by Mr Aquino's widow Corazon, holds President Marcos directly responsible for the murder and shunned the trial and an earlier probe by a citizens' board despite repeated invitations to participate.

The widow was due to hold a press conference shortly. Mrs. Aquino, when contacted by AFP after the verdict, sounded composed but refused to make any comment until the news conference.

Mr. Aquino's mother Aurora said: "It is exactly as Cory (Corazon Aquino) said it would be. There can be no justice in the regime for the murder of my son. I am not shocked, I expected it."



The slain politician's daughter Pinky said " I was prepared for it. Still I felt so frustrated, I just cannot believe they could do what they did."

Gen. Ver told reporters after the verdict was handed down. "There was no evidence against me. It's no surprise. It was expected."

Leonardo Tamayo, the most senior prosecutor present at today's hearing, said. "wise cannot appeal a judgement of acquittal. We did our best. We presented all relevant evidence under our command. We did our best to the limit."

Lawyer Andres Narvasa, chief counsel of the probe board that implicated the accused, said. "I see no reason to change our findings that it was a military conspiracy... There was widespread popular acceptance of our findings."

Two of the defendants, who were ordered freed immediately and rushed out of the court under heavy escort, echoed Gen. Ver's immediate reaction.

Colonel Arturo Custodio, charged as a principal for allegedly fetching Mr. Galman four days before the assassination, said "I want to thank God it's all over."

"Thank God, " echoed Sergeant Pablo Martinez, charged as an accessory like Gen. Ver.

All the accused except Major General Prospero Olivas, the Manila police chief charged as an accessory, were in civilian clothes. Gen. Olivas was wearing his dark khaki uniform minus the sidearm.

#### Laurel, Others Comment

HK020801 Hong Kong AFP in English 0731 GMT 2 Dec 85

[By Cecil Morella]

[Excerpts] Manila, Dec 1 (AFP) -- Andres Narvasa, chief lawyer of a citizens' board that probed the murder, and who was credited with assembling the main evidence against the accused, maintained that the killing was the result of a military conspiracy.

"There was widespread popular acceptance of our findings. I do not know if there will be any widespread acceptance of the Sandiganbayan's (court's) decision," He said.

Some 200 students chanting "Hang Ver" staged a demonstration outside the courthouse as the verdict was delivered, while Marcos' 20-year-old government.

Human rights lawyer Fulgencio Factoran of the Mabini group of lawyers said he believed the judicial system was not given a chance.

He said that Mr Marcos "should have assumed responsibility as commander-in chief" for allowing a fair trial.

The ultra-nationalist alliance Bayan said in a statement: "the absence of justice in the political assassination typifies the glaring hopelessness of resolving all cases of human rights transgressions under this dictatorship.

"The only matter that is left for the Filipino people in their pursuit of justice for Aquino and all other victims of political repression is to end this dictatorship."

Random interviews conducted by AGENCE FRANCE-PRESSE in the capital showed that the man on the street expected but resented the decision, though those questioned said they could not do anything about it.

There was no immediate reaction from Mr. Marcos and the Philippine Government, while the main opposition parties said they would issue their comments on the verdict later today.

The U.S. Embassy here said it would issue a reaction later today. Washington, Manila's main ally, has been pressing for a fair inquiry into the assassination.

Salvador Laurel, head of the opposition United Nationalist Democratic Organization (Unido) and a leading contender for the presidency, said Mr. Aquino was "assassinated anew by this ghastly verdict."

"It was obvious from the start that the proceedings were being orchestrated by some unseen power to uphold the military's absurd posture" that slain gangster Rolando Galman killed Mr. Aquino, he added.

"The (National Ombudsman) by its halfhearted prosecution, the (trial court) by its willingness to be used, and the Supreme Court itself by condoning the defects in the trial all conspired to deliver the guilty parties beyond the reach of the law."

Mr. Laurel said that "the people know" who the true perpetrators of the crime were and "history will yet avenge him (Mr. Aquino) as soon as the present vicious regime is ousted and a just and upright administration will take over."

#### MARCOS REINSTATES GENERAL VER AS CHIEF OF STAFF

HK020810 Quezon City Maharlika Broadcasting System in English 0800 GMT 2 Dec 85

[Text] President Marcos approved this afternoon a request by General Fabian Ver to resume his duties as chief of staff of the Armed Forces of the Philippines (AFP). Gen. Ver reported to the president his acquittal in the Aquino-Galman murder case and submitted to him a letter submitting himself to the disposal of the president. The president immediately approved the request and directed Gen. Ver to resume his duties as chief of staff. Gen. Ver also submitted to the president some official papers, including initial duties on the reorganization of the AFP.

Meantime, President Marcos will meet tomorrow with Gen. Ver and four other major service commanders at Malacanang. The president scheduled the meeting after he reinstated Gen. Ver as chief of staff of the AFP. Gen. Ver filed his leave of absence on October 24, 1984, after he was implicated in the Aquino-Galman double murder case.

AUSTRALIA BARRED FROM USING CLARK AIRBASE

HK300044 Manila Far East Broadcasting Company in English 2300 GMT 29 Nov 85

[Text] The Philippine Government yesterday [29 November] strongly protested the offensive statement of Australian Foreign Minister Bill Hayden against the Philippines. As a result, it barred the Australian Government from further use of the military facilities at Clark Air Force Base for military training.

The formal protest was issued by acting Foreign Minister Pacifico Castro to the Australian Embassy in Manila.

Mr Hayden was reported to have told the Australian Parliament on November 26 that the Philippine Government faced severe economic dislocation and widespread and understandable dissatisfaction with its political and economic record.

In a note to the Australian Embassy in Manila, the Ministry of Foreign Affairs said it was surprised why it was necessary for the Australian foreign minister to insult and attack viciously President Marcos, in view of the friendly ties between the Philippines and Australia. The minister added that Mr Hayden's statement was not only unfriendly but hostile.

The Foreign Affairs Ministry also requested that the statement be deleted from the Australian Parliament record.

Also, the Philippine Government has requested the United States to open the doors of its military bases in the country to local products. The Securities and Exchange Commission says it has specifically requested the base commanders to purchase their supplies and equipment whenever possible from local companies. The request also stated that if such supplies are not available from domestic suppliers, they could be purchased from the local branches or subsidiaries of multinationals.

Hayden Remarks Cited

HK291123 Hong Kong AFP in English 1112 GMT 29 Nov 85

[Text] Manila, Nov 29 (AFP) -- The Philippine Government today barred Australia from further use of a U. S.-maintained military base here in protest at what it termed an "insult" to President Ferdinand Marcos by Australian Foreign Minister Bill Hayden.

"The Philippine Government is withdrawing its authority to allow Australian aircraft to land or use the Clark Air Base for any purpose whatsoever including the training of Australian military personnel," the Foreign Ministry said in letters to the U. S. and Australian Embassies here.

Clark, located north of Manila, is one of two strategic U. S. military bases in the Philippines. U. S. allies in the region, including Australia, train air force personnel at the base.

The row was sparked by an address by Mr Hayden to the Australian parliament Tuesday, when he called on the Philippines to make urgent political, economic and military reforms.



"Human rights abuses by some organs of the government and extensive economic injustice resulting from the government's resolute inaction against the privileges and political power of its wealthy oligarchic patrons have provided fertile ground for the growth" of a communist rebellion in the Philippines, he said.

"The ministry is surprised why it was necessary for the Foreign Minister of Australia to insult and attack viciously the head of state and government of the Republic of the Philippines," the Foreign Ministry said in its letter to the Australian mission.

The letter, copies of which were released to the press by the Foreign Ministry, said Mr Hayden's remarks were "highly offensive", "unfriendly" and "hostile." It requested that these be deleted from the parliamentary records "since they are highly unparliamentary."

Mr Hayden has said that the attention focused by the Australian Government on the situation was partly due to its substantial commitments in the Philippines, totalling 12 million dollars in aid in fiscal 1984-1985, according to official figures.

Australian Embassy officials here could not be immediately reached for comment.

Asked if Manila really had a say on which other countries could use the U. S. bases here, ministry spokeswoman Susan Castrense told AGENCE FRANCE-PRESSE the Philippines had "sovereignty" over the facilities.

She said the U. S. Government always asks the Philippine Government's permission before allowing military personnel of other "friendly" countries to use the facilities.

U. S. Embassy spokesmen could not be immediately reached for comment today.

#### MARCOS URGES PARTIAL WRITE-OFF OF THIRD WORLD DEBTS

HK291537 Hong Kong AFP in English 1527 GMT 29 Nov 85

[Text] Manila, Nov 29 (AFP) -- President Ferdinand Marcos today urged Third World countries to push through with an appeal to have written off part of their massive debts from international lending institutions, the presidential palace said.

The president made the statement in an audience here with Peruvian General Edgardo Mercado Jaerin, a palace statement said.

Mr Marcos said that Third World Asian and South American countries could not possibly pay their loans amounting to 900 billion dollars, since their paying capacity did not exceed 300 billion dollars.

The Philippines is among the world's top debtor nations with 25.2 billion dollars in foreign obligations.

Mr Marcos praised as "courageous" the threat of Peru to limit its debt payments over the next 12 months to 10 percent of that country's export earnings.

VALDEPENAS SAYS GNP SHOWS THIRD QUARTER DROP

HK290757 Manila BUSINESS DAY in English 28 Nov 85 p 3

[Text] The country's gross national product (GNP) or the total production of goods and services for the three-quarter period ending September totaled P66,650 million in real terms, down by 3.26 percent from the P68,910 million posted for the same period last year. Economic Planning Minister Vicente B. Valdepenas Jr., concurrent director general of the National Economic and Development Authority (NEDA), told newsmen yesterday that the overall drop in industrial production continued to pull down the country's overall economic performance. He said however that the agriculture, forestry and fishery sector managed to post increases and thus softened the effect of the drop registered in the industrial sector.

The agriculture sector grew by 1.46 percent over the comparative period last year while the industrial sector as a whole fell by 5.5 percent during the nine month period compared to 1984. Principally accounting for the drop in industry was the 7.1 decline in manufacturing and the 2.1 fall in construction. Mining and quarrying activities for the period registered a marginal 0.5 percent growth.

The utility sector posted an increase of 2.3 with services increasing by 0.34 percent, transportation by 0.41 percent and trade by 0.73 percent. Finance and housing however dropped by 0.95 percent.

Mainly accounting for the growth in the agriculture sector, on the other hand, was the 24.5 percent increase in coconut production, the 16.2 percent hike in banana production and the 7.45 percent growth in fishery.

The drop in GNP has forced the government to further revise its yearend target. The government now expects a decline of 3.5 to 4 percent compared to a previous projection of a 2.5 to 3 percent fall.

Third quarter personal consumption expenditures fell by 0.26 percent to P16.2 billion. Government expenditures dropped by 5.4 percent to P1.9 billion while gross capital formation fell by 0.75 percent to P2.9 billion.

Contrary to earlier expectations, exports for the first 10 months continued to decline. Valdepenas disclosed that exports for the first 10 months fell by 14.4 percent to \$3,846 million compared to \$4,494.5 million for the same period last year. In October alone, exports fell by 18 percent. The continued soft prices for the country's traditional exports such as coconut, sugar and copper, plus the sluggish market demand for nontraditional products such as electronics and garments, were responsible for the poor export performance for the period.

Initial preliminary figures from the National Census and Statistics Office (NCSO) showed that for the month of October, all export commodity categories posted declines and only five sectors, namely gold, copra, unmanufactured tobacco, shrimps and prawns, and coffee registered increases.

Valdepenas yesterday also disclosed that the executive board of the International Monetary Fund (IMF) is set to meet on Dec 20 to discuss the Philippine's third drawdown from the Fund's standby credit. He said, hopefully, disbursements can be made starting Dec 27. He said with the release of the third drawdown, foreign commercial banks are expected to also release additional new monies to the Philippines. Already released are some \$400 million from the new money facility with an additional \$175 million expected by the end of this year.

Despite the continuing decline in the country's GNP, Valdepenas said there are definite signs that an economic recovery is in the offing. He predicted that the fourth quarter performance will be better.

FOREIGN PROTECTIONISM BLAMED FOR DEBT CRISIS

HK280245 Manila BUSINESS DAY in English 27 Nov 85 p 2

[Text] Protectionist measures unilaterally imposed by the Philippine's biggest trading partners -- the United States, Japan and member countries of the European Economic Community (EEC) -- are major factors which contributed to the country's present economic crisis. A group of Philippine government officials emphasized this during their visit to Rome early this month to attend the 40th founding anniversary of the Food and Agriculture Organization (FAO).

"The unprecedented rise in our external debts was largely caused by protectionism. We are not entirely to blame -- it is the entire world economic system... countries which are heavily dependent on agricultural exports are the most (adversely) affected," Agriculture and Food Deputy Minister Orlando Sacay told newsmen after the return from Rome. Protectionism he explained is the reverse of the Robin Hood syndrome -- "robbing the poor to give to the rich."

Sugar: Sacay cited the case of the ailing sugar industry which is currently suffering the worst crisis in its history mainly due to the protectionist measures employed by the EEC. As a result of the EEC's sugar regulations, Asian producers have been dislodged from the world market. The Philippines alone lost a substantial amount in export earnings from sugar.

According to Sacay, the EEC countries subsidize their sugar farmers to the tune of \$2 billion a year in order to "produce mountains of sugar" to dominate the world market. The Philippines, which used to earn substantially from sugar exports, is losing \$600 million to \$700 million annually in potential exports due to the dumping of cheap EEC sugar in the world market. "EEC producers continue to produce mountains of sugar by encouraging inefficient production."

BANK INTERNATIONAL RESERVES SHOW INCREASE

HK280251 Manila PHILIPPINES DAILY EXPRESS in English 27 Nov 85 p 9

[By Raul Marcelo]

[Text] The international reserves of the Central Bank (CB) rose to \$1.437 billion during the third quarter of this year, or \$400 million more than the level during the second quarter. The CB said that the reserves were equivalent to about four months' import requirements. The country normally maintains a reserve level equivalent to three months' import requirements.

The CB said that the reserves level improved significantly during the third quarter because of the second drawdown of about \$109 million from the standby credit provided by the International Monetary Fund (IMF) and the additional deposits with the CB made by foreign commercial banks participating in the \$2.974-billion revolving trade facility. The CB said that about \$1.272 billion of the trade facility have been converted by foreign bank-creditors into deposits with the CB during the period August 13 to September 30.

COUNTRY'S CURRENT ACCOUNT DEFICIT GROWING

HK280259 Manila BUSINESS DAY in English 27 Nov 85 p 2

[Text] The country's current account balance -- the difference between foreign exchange inflows and outflows arising from trade and service transactions -- deteriorated in the third quarter of the year largely as a result of the sharp drop in exports and the rise in interest payments for foreign loans according to Central Bank [CB] governor Jose B. Fernandez Jr.'s quarterly report to the president.



On the domestic front, Fernandez's report also indicated that the stability of the financial system on an overall basis did not improve in the third quarter: Banks and other financial institutions incurred during those three months alone overdrafts with the CB -- or checks they issued which were not backed up by funds but which the CB honored anyway -- amounting to P741 million.

According to the report, the current account for the July to September period was in deficit by \$172 million, a deterioration from the second quarter deficit of \$100 million and a reversal of the \$66-million surplus posted in the first three months of the year. Among the factors that caused the shortfall was the steep decline in exports in the quarter, which amounted to \$1,166 million or 19 percent lower than the \$1,440 million exports in the third quarter of 1984. Despite the cutback in imports to only \$1,291 million in the period, the export decline resulted in a trade deficit of \$125 million.

Non-merchandise trade: The deficit in non-merchandise trade -- or the net result of transactions mainly in services and interest charges -- widened in the period to \$153 million, a steep drop from the \$6-million non-merchandise trade deficit in the previous quarter. This was mainly due to the rise in interest expenses on foreign loans (\$512 million) and on such foreign exchange payments as government expenses abroad and profit remittances of foreign companies in the country. The slight increase in foreign exchange inflow mainly arising from tourist spendings and remittances of overseas workers (which together amounted to \$303 million) was not sufficient to offset the increase in interest payments and other expenses for services during the third quarter.

However, despite the deterioration in the country's current account balance, the country still managed to post an overall balance of payments (BOP) surplus of \$101 million. This was due to the BOP accounting system which recorded about \$858 million in loans to foreign banks and governments that fell due during the period but which were considered as rescheduled during the period as new loans. The overall BOP also yielded a surplus as a result of the \$400-million drawdown from the new commercial loan foreign banks extended to enable the country to keep current with its interest payments.

The CB's official report to the President also confirmed yesterday's BUSINESS DAY story that the "errors and omissions" item in the third quarter amounted to \$205 million, which represents the amount of foreign exchange coming into the country from undetermined sources. Without this unexplainable foreign exchange inflow, the overall BOP would have been in deficit of \$104 million.

Fernandez's report also confirmed reports that government revenues have been going down steeply. Because of this, it had to draw P1,200 million during the third quarter from its deposits with the CB, which was one of the few major reasons for the expansion of reserve money during the period.

Recovery Program: In his report however, Fernandez said the government's program to stabilize the country's foreign exchange position "has proceeded exceedingly well," pointing out that the current account and overall BOP are still "within originally targeted parameters." He said the CB's international reserves stood at \$1,437 million, equivalent to four months' import requirements. This was largely due to the second drawdown of \$109 million from the standby credit of the International Monetary Fund (IMF) and the first drawdown of \$400 million from the new money facility. The CB governor reported that out of the \$2,974-million final commitment under the foreign banks' trade facility, \$1,272 million has been converted into CB deposits.

Fernandez also emphasized that both interest rates and inflation rates continued to decline in the third quarter, and that inflation in the country was controlled "within a shorter time frame than that provided in the program."

Uncharacteristic of his previous quarterly reports to the President, Fernandez concluded his latest report by proposing what appears to be his own perceptions of how the government must act to prompt growth in the economy at this time:

First, "a clear policy matrix (must be laid out) which is perceived by the private sector as sufficiently attractive to induce a new wave of investment."

Second, "(the government must focus) on a limited number of activities to which it can confidently help channel available private sector resources and sustain this effort with a consistent set of tax, financial and regulatory incentives."

"As the year draws to a close, we shall continue to watch the slippage areas in the (country's economic adjustment) program, particularly exports and government revenues." the CB governor said in concluding his report.

#### ECONOMY BOLSTERED BY UNEXPLAINED DOLLAR INFLUX

HK271125 Manila BUSINESS DAY in English 26 Nov 85 p 2

[By Rigoberto D Tiglao]

[Text] The country's foreign exchange position continued to be bolstered in the third quarter by the inflow of huge amounts of dollars from undetermined sources, BUSINESS DAY sources at the Central Bank [CB] said.

This was learned as CB governor Jose B. Fernandez Jr. yesterday confirmed at the Kapihan sa Maynila breakfast club an earlier report that the CB's accounting of the country's balance of payments (BOP) showed that an unexplained capital inflow occurred in the first semester of the year. "The capital inflow that was not explainable through the normal BOP terminology amounted to \$516 million," the CB governor said.

The unexplained capital inflow -- recorded in the CB's BOP report under the "errors and omissions" item -- has been interpreted as caused by the remittance back to the country of a portion of the dollars previously salted abroad by Filipino nationals. MP Luis Vallagurete at yesterday's breakfast press conference pointed out that the unexplained capital inflow may mean that those remitting the foreign exchange to the country are cashing in on the devaluation gains of the dollar to fund an election campaign.

Villafuerte's speculation jibed with an explanation given by sources in the banking community over the sudden increase in blackmarket rates that started Friday. The selling rates for telegraphic transfers, which had been increasing only very slightly in the last several months, jumped by a full 50 centavos Friday from the previous P18.95:\$1 to P19.45:\$1. Banking sources said the jump could not have been due to a sudden surge in demand for dollars to be used for imports. Hong Kong rates, which usually reflect movements in the Philippines's black market for dollars, did not move on Friday.

"One logical explanation would be that those remitting dollars to the country, most probably for the elections, want a bigger peso equivalent," banking sources said. Most in the financial community have pointed out that the government has been able to clamp down on the blackmarket syndicate which had controlled rates for years in the country.

The CB sources disclosed that the "errors and omissions" item amounted to \$200 million in the July to September period. This brings to \$716 million the total unexplained foreign exchange flowing into the country in the six months from April to September. The sources noted that without the \$200-million "errors and omissions" item the country's BOP would have posted a deficit during the third quarter of the year, reversing the surpluses registered in the first and second quarters.

(The errors and omissions item in the BOP statement indicates the amount of dollars either coming into the country or out of it that cannot be accounted for by the reported transactions in trade or services. While it is technically a statistical tool to reconcile reports from various entities, the item is taken by economists to reflect the extent of unregistered capital flight -- when the item is negative -- or inflow to the country -- when it is positive.)

At the same breakfast conference, Prime Minister Cesar Virata disclosed that:

-- The new budget deficit ceiling for this year approved by the International Monetary Fund (IMF) managing director Jacques de Larosiere amounts to P13 billion. He also said that the delay in reaching an agreement with the IMF for the release of the third credit tranche had nothing to do with political factors but was due to the "protracted and tedious" nature of negotiations to change the budget deficit ceiling from the initial P6.2-billion limit.

-- The approval by the IMF executive board, expected on Dec. 15, of the country's revised adjustment program will result in the simultaneous release of the third and fourth credit tranches which together amount to 212 million special drawing rights (about \$230 million).

-- The Special President Committee on Reorganization, which is drawing up the plans for the restructuring of the over 300 state corporations, will be convened on the first week of December to prepare a detailed plan for the merger or disposal of government corporations.

CB Governor Fernandez in a talk with reporters after the breakfast conference reported that the agreements with international banks for the restructuring of debts owed to them by public cooperations will be signed on the first week of January. He also reported that the agreement for the restructuring of the country's official debts to the Japanese government, amounting to over \$500 million, will be signed before the year ends. He noted that the delay in the restructuring of Japanese loans was due to a disagreement on whether about \$50 million in officially guaranteed loans should be included in the restructuring.

#### GOVERNMENT HOPEFUL EXPORTS DECLINE SLOWING

HK271005 Manila BUSINESS DAY in English 26 Nov 85 p 3

[Text] Exports during the first nine months of the year declined by 13.9 per cent to \$3,475 million from \$4,040 million registered in the same period in 1984, government data made available to BUSINESS DAY showed.

The decline during the first three quarters however represented a marginal improvement from the 14.39 per cent drop registered in the first eight months of the year and is the first indication that the export decline which started at the beginning of the year may be slowing down.

Imports on the other hand dropped by 16.3 percent during the three-quarter period to \$3,861 million compared to \$4,610 million in the same period in 1984.



Despite the bigger decline in imports however, the country's merchandise trade account was still in deficit. For the first nine months, the deficit reached \$386 million compared to \$570 million for the same period last year.

The country's principal exports continued to perform dismally as all major commodities posted negative growth rates during the period, negating improvements made in certain non-traditional sectors.

Of the country's traditional exports, logs and lumber exports reached \$99.5 million, down 22.2 from the \$127.9 million posted last year; copper concentrates reached \$66.4 million, down 69.9 from \$220.4 million; coconut oil reached \$252 million, down 45.8 from \$464.6 million.

The country's non-traditional exports, including electronics and garments, also continued to decline from their yearago levels. Electronics exports reached \$744.3 million this year, down 19.8 per cent from \$928.2 million posted last year; garments reached \$440.6 million, down 3 percent from \$454.4 million; woodcraft and furniture reached \$67.2 million, down 62.8 percent from \$180.7 million.

Export commodities that registered growth for the month of September over their yearago levels included: sugar, banana, copra meal, inedible molasses, veneer sheet and core-stock, iron ore agglomerates, shrimps and prawn, and cordage, cable, rope and twine. The improvements made in these sectors however failed to offset the declines of the major commodities principally because the gains were marginal and these commodities' overall values as percentages of total exports are small.

Traditionally, exports are more robust in the second half of the year compared to the first six months. The third quarter performance however proved earlier fears that exports for the year will be substantially lower than last year.

The government has already revised its export projections for this year from a growth of 10 percent to a decline of 10-15 percent due to the poor performance of the country's principal exports. According to the revised projections of the National Economic and Development Authority (NEDA), exports will reach only \$4.8 billion compared to \$5.4 billion last year. Such a decline would bring the country's overall export receipts to about the 1979 level when the country exported some \$4.6 billion worth of products. It will also represent a \$1-billion drop from the 1980 export level and an 11 percent decline from last year's export figure of \$5.4 billion.

The drop in export receipts this year however is not expected to affect the country's overall balance of trade position as imports have likewise dropped by 16 percent, a much faster pace than the export decline. The government also believes that the drop in export receipts would not affect the country's ability to service its debts since the annual foreign exchange outlay for debt servicing is estimated to come to only \$2 billion.

The government however is hoping for an upturn in the last quarter to at least reverse the declining trend since the beginning of this year. An upturn during the last quarter could hopefully usher in an improved export performance next year.

#### GARMENT EXPORT EARNINGS RISE PROJECTED FOR 1986

HK271003 Manila BUSINESS DAY in English 24 Nov 85 p 2

[Text] Garment exporters are projecting export earnings of \$800 million for next year, a 23 percent improvement over the expected earnings of about \$650 million this year.

In a press conference yesterday, Anastacio delos Reyes, president of the Garment Business Association of the Philippines (GBAP), said market conditions have improved significantly recently assuring easier access for Philippine products particularly to the European market. Delos Reyes said major European currencies have improved markedly against the dollar, resulting in increased demand for Philippine garments.

On the whole, local conditions have also improved, he said. Delos Reyes cited the continued decline in domestic interest rates and the reactivation of the rediscounting window of the Central Bank for exports. He said export packing credits, while carrying interest rates that are comparatively higher compared to those in neighboring Asian countries, are considered reasonable in the light of present Philippine economic conditions.

Delos Reyes however pointed out that the government will have to "reasonably adjust the peso rate to the dollar" in order to improve the competitiveness of Philippine goods abroad.

He said that when the Ministry of Labor and Employment (MOLE) promulgated Wage Order No 6, the new wage rates were premised on an exchange rate of P21 to P22 to the dollar. "At the moment, while the peso rate versus the dollar has improved to about P18.60, we are still paying labor at levels of P21 to P22 to a dollar which represent additional cost for us" Delos Reyes said. By adjusting the rate to favor exporters, Delos Reyes said the country's export development program would be boosted.

On protectionism in the United States, the country's principal market for garments, Delos Reyes said exporters "are concerned" but are pinning a lot of hope on the promise of President Reagan to veto protectionist bills in the U.S. Congress. He said the controversial Jenkins bill or the "Textile and Apparel Trade Enforcement Act of 1985" is likely to be replaced by a watered-down Senate version which would favor Philippine garment exporters. Delos Reyes explained that the Senate version would freeze Philippine garment exports to the US at their 1984 quota levels.

#### INFLATION DROP STABILIZES VALUE OF REAL WAGES

HK281208 Manila BUSINESS DAY in English 27 Nov 85 p 2

[By Ramon R. Isberto]

[Text] The decline in the inflation rate over the past few months appears to have arrested the steep drop in the value of workers' real wages. But the latest data from the National Wages Council (NWC) show that the burst of price increases that started in late 1983 have already taken their toll, pulling the real values of legislated minimum wage rates of virtually all categories of private sector employees down to their lowest level since 1978.

The national value of the daily floor rate for non-agricultural workers in Metro Manila for example is P57.08 (this includes the minimum wages, cost-of-living allowances and the mandatory 13th-month pay). The value of that floor rate (with 1978 as the base year) was -- as of October -- down to P15.99. This is barely above (1.6 percent) the 1978 base value of P15.74 for Metro Manila workers.

Non-agricultural workers outside Metro Manila are better off due to the slightly lower inflation rates outside the national capital region. As of October, the legal floor rate of P56 per day had a real value of P15.81, or 8 percent above the 1978 base value of P14.65. The real value (P13.18) of the nominal minimum daily pay (P46.67) for agricultural plantation workers is 5.6 percent above the 1978 base level of P12.48. Agricultural plantation workers are clearly the hardest hit by inflation. In nominal terms, their minimum daily pay has been set since late 1984 at P35.67. The real value of that however had by last month gone down to P10.07, 12 percent lower than the 1978 base level of P11.40.

Comparisons with the 1978 base level provide a gauge of the effectiveness of the government's wage policy as it has been actually defined in the course of the government's repeated exercises in setting minimum wages. That policy, loosely put, has been to attempt to maintain the real value of the minimum wage above the 1978 base level.

The comparison of October 1985 real wage levels and the 1978 base values would have been more unfavorable if the NWC did not change recently its tally of the nominal wage rates over the past eight years. The wages council is now taking the weighted average of the legislated minimum wage rates effective during a year. The new method is more accurate considering that in several years -- such as in 1983 and 1984 -- the government issued two or more wage decrees altering minimum wage rates.

Before, the NWC simply listed the highest minimum wage rate set during the year, irrespective of when that rate took effect during the year. The difference: the revised NWC list shows lower nominal minimum wage rates than the old tally.

In the old list, the 1978 base value of the minimum pay for Metro Manila workers was P16.27; in the new list, it is P15.74. If the old list were still being used, then the real value of Metro Manila workers daily minimum pay as of October this year (P15.99) would be 1.7 percent below the 1978 base value of P16.27.

With depressed demand cooling inflation off in the past several months, pressure on real wages has eased off for the moment. Real wage levels have been fairly stable since July this year and have, particularly in the provincial areas which register lower inflation rates than Metro Manila, been showing signs of going up.

It is too early to tell though whether this trend will firm up over the next few months. The historical trend for real wages has been downward since 1982. Before that point, the real value of the legislated floor rate -- pushed up by a series of wage measures -- had been increasing. It reached a peak in 1981, when the real value of the legal minimum pay for Metro Manila workers was 26 percent above the 1978 base level. For nonagricultural workers outside Metro Manila and agricultural plantation workers, the 1981 level was 32 percent above their respective 1978 base levels.

Reflecting the impact of the country's economic difficulties, real wages have been dropping steeply since then. In 1982 alone, real wage levels fell by about 8 percent compared to the previous year. One of the factors behind the fall of real wages in recent years was the fact that from 1981 up to mid-1983, the government did not raise minimum wages even though inflation was continually eroding the peso's purchasing power.

Since mid-1983, the government has issued another series of wage measures rivaling the wage decrees issued in 1978-1979. This time though, real wages did not go up but continued to slide down after jumping up immediately following the issuance of the wage decree. Inflation quickly gobbled up the pay adjustment.

#### CB TO LOWER AGRICULTURE LOAN INTEREST RATES

HK270827 Manila PHILIPPINES DAILY EXPRESS in English 26 Nov 85 p 8

[By Raul Marcelo]

[Text] The Central Bank (CB) plans to lower the interest rate on loans from the P3.3-billion Agricultural Loan Fund (ALF), to reflect the prevailing cost of funds CB Governor Jose B. Fernandez Jr. said yestersay. He said that the CB, which administers the World Bank (WB)-Funded ALF, was free to reset the rate "if existing rates are out of line" with prevailing market rates.



At present, the CB lends the ALF to accredited banks at 16.7 percent per year. The banks are allowed to add a certain amount to cover their so-called intermediation cost plus profits, which then raises the cost to the borrower to about 24 percent. Once the ALF rate is reset to reflect the declining cost of funds, Fernandez said the government expects availments from the agricultural fund to be faster.

Thus far, only a total of P268.87 million was drawn from the ALF as of the first two weeks of November, mostly to reimburse accredited financial institutions that availed themselves of the CB's rediscounting window for their agricultural loans. Another P200 million worth of loans from the ALF are being processed by the CB under the rules agreed upon with the WB, he said.

The government wants to see a faster rate of availment from the ALF because the WB has told the Philippines that "it can ask for more" once the existing fund is exhausted, Fernandez said. Fernandez reiterated that ALF funds can only be channeled to the agricultural sector through the accredited financial institutions and "cannot be made available directly to any government agency."

#### NEW ZEALAND OFFERS TO FINANCE DAIRY PROJECTS

HK281222 Manila BUSINESS DAY in English 27 Nov 85 p 15

[Text] The government of New Zealand has offered to finance four local projects on livestock and dairy development worth almost P80 million. During a recent meeting with Agriculture and Food Minister Salvador H. Escudero, a New Zealand mission expressed interest in funding projects on pasture and small ruminant development, RP-New Zealand Frisian Sahiwal development, extension of assistance to the Philippine Dairy Corp [PDC] and the establishment of embryo transfer stations.

The mission, headed by Ambassador Paul Cotton, told Escudero that their government is willing to finance various projects of the Bureau of Animal Industry [BAI] worth \$3.3 million.

Total assistance to the PDC, on the other hand, is worth \$518,000. It will complement the implementation of the government firm's smallholder livestock development project which is financed by the Asian Development Bank and the International Fund for Agricultural Development. The pasture and small ruminant projects of BAI seeks to increase the socio-economic condition of smallholder sheep and goat farmers through the provision of technological improvement. The BAI project consists of acquisition of stocks and biologics, pasture production, development of satellite research and farm stations, credit, extension and training and marketing strategies.

Assistance to PDC covers the importation of breeding cattle, diagnostic laboratory equipment, portable milkers, farm cooling apparatuses, veterinary supplies, training and vehicles.

#### COJUANGCO TIPPED AS NEW SUGAR OVERLORD

HK271051 Manila BUSINESS DAY in English 26 Nov 85 p 2

[Text] The implementation of the game-plan to make business tycoon Eduardo M. Cojuangco Jr. as the new overlord of the sugar industry has begun with his entry as a major investor in the new Philippine Sugar Marketing Corp. (Philsuma). At the moment, Philsuma is being peddled as the only way to get much needed funds for sugar planters.

BUSINESS DAY sources disclosed that Cojuangco "sponsored" last week's audience of some 500 sugar planters with President Marcos to build up the pressure on the government to accept his proposal to fund the Philsuma, which is planned to be operational by the start of next year. Cojuangco reportedly reiterated to the president his proposal to immediately provide Philsuma with a P250-million capitalization. This would be the only money Philsuma will be able to generate since the planters' capital contribution will only be in the form of pledges of their quedans.

Marcos reportedly told Cojuangco that the proposal will still have to be ironed out with the International Monetary Fund (IMF). However, the battering ram that could be used for Cojuangco's emergence as kingpin of the sugar industry is the huge financing that he can extend to sugar planters who are now desperately seeking production funds. The sugar planting season has already started with still no feasible government financial rescue package for the industry in place.

Central Bank [CB] Governor Jose B. Fernandez Jr. a few months ago emphasized that the CB would have the financial package ready by the start of November. The only plan so far prepared however is the reopening of the sugar quedan rediscounting system and the setting up of controls to assure the integrity of the quedans, or the receipts evidencing the existence of sugar stocks in a warehouse.

Fernandez however was told in a meeting he called with presidents of commercial banks a few weeks ago that even with the restoration of the integrity of the quedans, there is no way for the commercial banks to go into sugar financing because, among other things, most of the sugar planters' existing and future quedans are already pledged to the Republic Planters Bank (RPB) and the Philippine National Bank (PNB) as payment for past due loans. "Both RPB and PNB will not be able to get back to sugar financing," a banking source said. "The government now can tell the IMF or the World Bank that there is no other way to get financing for the sugar industry except to allow Mr. Cojuangco's entry.

Despite recent press releases issued by Malacanang and RPB, there is no way the two banks can release money soon because of their tight liquidity positions. A ranking RPB official said their ability to release funds for the sugar industry depends on the CB's approving the restructuring of their rediscounting loans, a proposal the CB has sat on for nearly two years now. This is because without a restructuring of RPB's over P1 billion debts to the CB, payments by sugar planters for their past due loans will all have to be remitted to the CB to settle the bank's arrearages.

PNB, on the other hand, will have funds to extend to sugar planters -- given the high rate of "pole-vaulting" in the industry that allows sugar planters to evade payment of their loans -- only with increased borrowings from the CB, which it however cannot do because of the limits imposed by the IMF on the state bank's borrowings from the CB.

RPB's difficulties seem to be the result of the falling out of grace of Roberto S. Benedicto whose place in the sugar industry Cojuangco may soon be taking. A presidential letter of instructions issued about two years ago which would have restructured RPB's debts to the CB and allowed the bank to continue sugar financing was totally disregarded by the CB. A source also disclosed that recent representations by Benedicto for a similar presidential order that will give RPB a breathing spell, and restore some financing to the sugar planters immediately, so far has been of no avail. The apparent fall of Benedicto, a source said, started after the Kilusang Bagong Lipunan (KBL) failed to get the promised votes in Western Visayas in the last parliamentary elections.

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